Austria	Sch22	Indonesia	Rp2400	Oman	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Israel	[illegible]	Portugal	Esc140
Cyprus	[illegible]	Italy	[illegible]	Qatar	[illegible]
Denmark	[illegible]	Jordan	[illegible]	S.Arabia	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Singapore	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Spain	[illegible]
France	FFr7.00	Lux	[illegible]	Sweden	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Switz	SFr2.40
Greece	[illegible]	Morocco	[illegible]	Thailand	[illegible]
Hong Kong	[illegible]	Neth	[illegible]	Tunisia	[illegible]
Iceland	[illegible]	Nigeria	[illegible]	Turkey	[illegible]
India	[illegible]	Norway	[illegible]	UAE	[illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,998 Tuesday November 14 1989 D 8523A

GREECE

Standing at the political crossroads

Page 4

World News

El Salvador declares state of siege after deaths

El Salvador's Government declared a state of siege amid reports of between 150 and 250 deaths in the worst fighting of the country's 10-year-old civil war. Page 26

Swapo lags in poll

Preliminary results show Namibia's black nationalist Swapo movement lagging behind its main rival, the centrist Democratic Turnhalle Alliance, in the poll designed to pave the way to independence next year after 74 years of South African rule.

Sri Lanka shooting

Rohana Wijeweera, leader of Sri Lanka's ultra nationalist People's Liberation Front (JVP), was shot dead by one of his close comrades. Page 7

EC tobacco rules

European Community health ministers decided to cut tar in cigarettes and slap tough health warnings on all cigarette packets sold in the EC. Page 26

Brazil poll halted

Campaigning in Brazil's presidential elections came to an abrupt halt as hundreds of thousands of party followers returned from mass rallies. Page 10

Kurile proposal

Aleksandr Yakovlev, Soviet Politburo member, is said to have made a new proposal for resolving the long-standing territorial dispute between Japan and the Soviet Union over four islands in the Kurile chain. Page 7

Deng loyalty call

China's veteran leader Deng Xiaoping, days after formally stepping down as chairman of the powerful Central Military Commission, has urged the armed forces to stay loyal to the Communist Party. Page 6

Indian election

Bombay's businessmen are preparing for a defeat of Rajiv Gandhi and his Congress Party in the Indian general election. Page 7

European group plan

Prime Ministers of Italy, Austria, Hungary and Yugoslavia will meet in Rome to review progress in forming a new regional grouping launched "to promote the process of greater unity in Europe". Page 2

New Lebanese PM

Lebanese President Rene Muawad named Selim Hoss, a Sunni Moslem, as his Prime Minister.

Ivory ban plea

Hong Kong has asked the British Government to delay an international ban on trading in existing ivory stocks for six to 12 months. Page 6

Policeman arrested

A mixed-race police officer who accused his South African colleagues of brutality was arrested as he led a demonstration by policemen in Cape Town. Page 8

Sendero setback

A large turnout in Peru's municipal elections has been hailed as an important political defeat for Sendero Luminoso, the left-wing guerrilla group which called for a boycott. Page 10

Business Summary

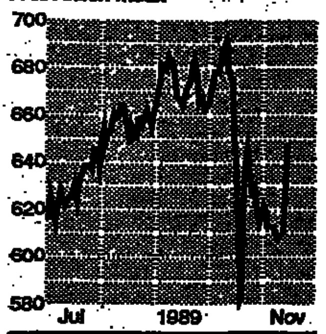
Japanese trade surplus falls to low of $4.66bn

JAPAN'S trade surplus fell for the sixth successive month to $4.66bn. The country's merchandise trade surplus was 39.4 per cent lower than in October 1988, giving trade ministers meeting foreign counterparts a timely boost. Page 26

FRANKFURT enjoyed one of its busiest days of the year, with share prices advancing as investors welcomed the influx of East Germans. The FAZ index rose 13.75, or 2.2 per cent, to 648.59. Page 49

W. Germany

FAZ Aktien Index



EC FINANCE ministers ended discussions on monetary union with a majority ready to let the 12 Community heads of government set a date for a treaty-revising conference. Page 26

BANK of England is warning UK banks they could lose their licences if they fail to install systems to prevent money laundering, particularly drugs-related laundering. Page 26

SEA Containers, Bermuda registered group, has lined up Genstar Containers Corporation, the world's largest container rental group, to buy its dry cargo containers and chassis for nearly $400m. Page 27

FIAT AUTO is expecting to reach an agreement to permit Italy's top car-maker to produce vehicles on assembly lines belonging to Italy's smallest, Maserati. Page 27

SINGER, former US manufacturer of sewing machines, has filed for protection under Chapter 11 of the US Bankruptcy Code. Page 27

AVON PRODUCTS, US direct marketer of cosmetics and personal products, appeared to be "in play" as a takeover candidate. Page 29

EUROPEAN Commission challenged co-operation agreements involving Air France and three other large European airlines in a decision laying down guidelines for competition in the aviation sector. Page 4

ISRAEL is introducing new labelling requirements for goods imported from the occupied territories, in the latest round of the economic tussle that underlies the Palestinian uprising. Page 12

EUROPEAN Court is likely to review the legality of Italy's refusal to close the steel melting sector of its Bagnoli plant near Naples. Page 4

OLB, Oesterreichische Länderbank, Austrian bank, confirmed it was the lead manager of a $53.8m five-year bond issue for Bayerische Hypotheken- und Wechselbank, the West German bank. Page 32

ELDERS, brewing, finance and resources group controlled by John Elliott, suffered a downgrading of its credit rating in Australia, following disclosure that its overall debt is $12.25bn. Page 30

GILT Conversion: Yesterday's Financial Times incorrectly described the stock the Bank of England is willing to convert into the 9 per cent Treasury Loan 2008 as the 9¾ per cent Treasury Conversion 2002. This should have read: 9¾ per cent Conversion Stock 2006.

Mitterrand convenes special EC summit to discuss East Europe

By Ian Davidson in Paris, Leslie Colitt in Berlin and Tim Dickson in Brussels

AN extraordinary European Community summit to discuss the rapidly developing situation in Eastern Europe has been convened by President François Mitterrand of France for next Saturday, at the request of Chancellor Helmut Kohl of West Germany.

The announcement by the French presidency coincided with a promises from a senior East German Communist Party official of "free and secret" elections in the country and with assurances from both Mr Kohl and from Mr Hans-Dietrich Genscher, his Foreign Minister, that Bonn would not part company with its allies as it worked for German unity.

French officials said the 12 EC heads of government would consider the reform process in Poland and Hungary, as well as the spectacular opening up of the border between the two Germanys, during a working dinner in Paris.

The promise of contested elections in East Germany, at an unspecified time, was made by Mr Werner Jarowinsky, a Politburo member, during a lively debate in the hitherto docile Volkskammer (Parliament) which confirmed the appointment of the reformist Mr Hans Modrow as Prime Minister.

Mr Modrow said he assumed the Communists would be able to win a majority of votes in a free poll.

The Volkskammer, in the first open discussion ever held by the East German legislature, heard a politician from the Liberal Democratic party – until recently a docile ally of the Communists – call into question the ruling Party's "leading role," which is currently enshrined in the constitution.

In its first ever secret ballot, the East German assembly elected, by a narrow majority, Mr Günther Maleuda, head of the Democratic Peasants' Party – another small group that hitherto backed the Communists – as parliamentary Speaker. Mr Maleuda beat the Liberal Democratic leader, Mr Manfred Gerlach, who despite his advocacy of reform is seen by many East Germans as a front for the hard-pressed Communist Party leadership.

Speaking during his visit to Poland, Mr Kohl again underlined West Germany's continued loyalty to the West, saying that while Germany's division was "anti-historical, implausible and unjust," he also considered it "anti-historical and implausible to assert that it is a matter for the Germans alone whether and how they freely determine their fate and whether they follow their path with or against their neighbours.

"The truth is that we Germans, as a people living in the heart of Europe, know today that this question – and our answer to it – is not something towards which our neighbours in East and West are indifferent," he added.

Mr Genscher, meanwhile, promised ministers from his country's eight partners in the Western European Union, meeting in Brussels, that there would be no "individual initiative" by Bonn on German reunification.

The minister stressed that Western Europe should not seek "unilateral advantage" from the situation in the East.

West Germany, meanwhile, would continue to play its role in the process of European integration and in the Western Alliance, while Nato must continue to work for its stated aim of establishing a zone of peace from the Atlantic to the Urals. Mr Genscher reaffirmed his view that calls from Moscow for a "common European home" were "very constructive."

Meanwhile yesterday, ADN, the official East German news agency, said that as of noon yesterday, 5,188,510 visas for travel westwards had been issued – one each for almost a third of the country's 16m population.

The French summit initiative follows an appeal for a European summit on events in Berlin from former President Valery Giscard d'Estaing who said it was "not acceptable" that the first high-level exchange of views should take place at the shipborne Soviet-US summit on December 2 and 3 off Malta.

However, French presidential officials said that Saturday's meeting did not imply any reservations about the superpower talks.

One purpose for the Paris meeting is to ensure that East Germany and East Europe do not monopolise the regular Community summit scheduled for December 8 and 9 in Strasbourg. The French presidency is determined that the project for economic and monetary union (EMU) and the European Social Charter shall continue to have priority.

French officials leave almost unstated the suspicion that Mrs Margaret Thatcher would be only too glad to use the German problem both to cut into the time for discussion of EMU and as a pretext for postponing a decision of principle on the staging of an inter-governmental conference in the second half of next year, to lay out the phases of such union.

East German leader Egon Krenz (left) with Hans Modrow, Prime Minister designate, in the East German parliament yesterday

- Bonn scrambles to form clear response
- Costs and benefits
- Crucial meeting for new Bulgarian leader
- Soviet economists despair of improvement

PAGE 2

- City's heart beats faster
- Opposition may not be ready for free elections

PAGE 3

Thatcher calls on the West to offer full support

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, Britain's Prime Minister, yesterday called on the West to respond to the momentous developments in Eastern Europe with every possible support.

But she warned that the speed of events could put the eventual goal of democracy at risk.

In her annual speech at the Lord Mayor's banquet in the City of London, Mrs Thatcher emphasised the special responsibility of the European Community to put aside the details of its internal business and respond instead to a "turning point in Europe's history."

Mrs Thatcher, speaking after the announcement by French President François Mitterrand of a special summit meeting of the 12 in Paris on Saturday, said the Community should develop new forms of association with the emerging democracies of Eastern Europe – particulary Poland, Hungary and East Germany.

In a speech which blended enthusiastic support for developments in the Soviet Union and Eastern Europe with a cautious appraisal of the immediate outlook, Mrs Thatcher made no mention of the possibility of German reunification.

Instead, she said that after the events of recent days the key objective for East Germany must be "genuine democracy, with free elections and more than one party." That in itself would be a huge achievement.

Officials said she was anxious that the West should not be seen to be seeking to "detach" East Germany from the Warsaw Pact. That would risk destabilising President Mikhail Gorbachev in the Soviet Union and undermining the liberalisation process.

Mrs Thatcher warned that as the process of reform gained momentum, there was a danger that the very speed of change could endanger the goal of democracy.

In those circumstances, the strong emotions raised on all sides by the "unprecedented ferment in Eastern Europe" now needed to give way to a "measured view of the way ahead."

For the West, that meant sticking with the policies and the sure defences which had brought it through the Cold War.

Continued on Page 26

Leipzig protest draws 200,000 on to streets

By John Lloyd in Leipzig

THE CITY of Leipzig last night saw the first pro-democracy demonstration since the East German Government opened its borders to the West, with about 200,000 people thronging the squares and thoroughfares and showing that the initiative for political change in the country remains on the streets.

The size of the demonstration was more than matched by the militancy of its participants and by the impatience of their banners and chants.

Despite the reforms introduced in the past week by Mr Egon Krenz, the Communist Party leader, and his party's promise that more are on the way, the demonstrators called yesterday for free elections and an end to the Communist Party's automatic monopoly of power.

"Frei-e Wahl-en" ("free elections") was the most insistent call, echoing around the city for hours. Another favourite was "SED – das tut weh" ("The Communist Party gives me a pain") as was "Wir sind das Volk" ("We are the People").

The banners, some bearing long paragraphs of text, formed a sea of street agitation and propaganda.

Many of them echoed the call for free votes. One banner wanted them immediately. Another, from the moderate wing, wanted action by 1990.

One, recalling the bitterness felt by the allegations of Communist Party corruption in the recent municipal elections, demanded free voting under the auspices of the United Nations.

One banner read: "Free votes – free press – free thought: Democracy."

Only one expressed a wish for German reunification, calling on the people to "Demonstrate Until The Nation Is United."

But a greater number were implicitly or explicitly calling for a revolution within the state. "DDR, we love you – without Krenz," said one.

Another: "Forty years of the DDR, forty years of lying to the people. Shame and punishment to those who did so!"

There was loud applause in Karl Marx Square, starting point of the rally, for a black coffin borne aloft around the square, bearing the inscription: "Here lies the SED's claim to power."

The mood was one of elation, even if a few of the older participants were a little awestruck at what they were doing.

But among the young – who were in the majority, but not overwhelmingly so – there was a new level of confidence and strength, which kept them chanting, whistling and laughing excitedly as they marched through the fog and filthy air of this polluted city.

Many of the demonstrators had packed into the Lutheran Nikolai Kirche, just off Karl Marx Square, before the march began in the early evening, to hear a sermon and prayers which called for an end to "the walls within the mind" as the wall between the two Germanys had fallen.

They sang a hymn, which ended: "Loosen our tongues and we shall bear witness to freedom; wake us to a new life."

The text was drawn from Matthew 5, one of whose verses reads: "Blessed are those who hunger and thirst after righteousness, for they shall be fulfilled."

Asea Brown Boveri in agreed bid for Combustion Engineering

By William Dullforce in Geneva, Anatole Kaletsky in New York and Nick Garnett in London

ASEA Brown Boveri, the European electrical engineering group, yesterday announced an agreed bid for Combustion Engineering of the US, a further step in the rapid restructuring of the European and North American power engineering industries.

The deal, which values the US process engineering and power services group at $1.6bn, reinforces ABB's position as the world's biggest supplier of electricity generation and distribution equipment. ABB has spearheaded the recent welter of mergers and takeovers in the sector.

Combustion's shares jumped $13¾ to $39¾ after the ABB announcement, suggesting that Wall Street regarded the merger's consummation as a foregone conclusion.

However, some analysts argued that ABB's $40-cash-per-share offer was disappointing, given that Combustion's shares traded as high as $45 in 1987 before Black Monday.

Others suggested that anti-trust problems could still impede yesterday's deal.

Combustion Engineering's core business is the fossil power division, which is the leading US manufacturer and installer of coal, oil and gas electric generation systems. The company also has a substantial nuclear power division and is one of the country's leading providers of automation and control equipment for process industries around the world.

For ABB, the deal represents a consolidation in its penetration of the North American power generating and transmission market, following completion earlier this year of the $756m purchase of Westinghouse's transmission and distribution operations in the US and Canada.

Mr Percy Barnevik, ABB's president, and Mr Charles Hugel, Combustion Engineering's chief executive, said the two were complementary in products, industry coverage and regional presence.

ABB and Combustion Engineering will have some $7bn in annual sales in North America.

The two companies begun by discussing co-operation in power generation, but, according to ABB, decided a full merger would be the most effective way of serving customers and developing opportunities in process automation and environmental services as well as in the power field.

ABB, the world leader in electro-technical equipment with total sales of about $20bn a year, was formed less than two years ago from the merger of Sweden's Asea with Switzerland's Brown Boveri.

In addition to asserting its presence in the US ABB has extended its dominance on the European market through joint venture agreements in power generators, boilers, turbines and transformers with Finmeccanica of Italy.

Continued on Page 26

MARKETS

STERLING
New York close
$1.5820
London:
$1.5805 (1.5765)
DM2.9425 (2.9375)
FFr9.98 (9.955)
SFr2.595 (2.5825)
Y227.25 (226)
£ Index 89.3 (89.0)

GOLD
New York: Comex Dec
$392.8 (388.6)
London:
$391 (385.25)

N SEA OIL (Argus)
Brent 15-day Dec
$18.825 (-0.3)

DOLLAR
New York close
DM1.86095
FFr6.3130
SFr1.6415
Y143.875
London:
DM1.861 (1.863)
FFr6.315 (same)
SFr1.641 (1.6375)
Y143.85 (143.35)
$ Index 70.1 (69.9)
Tokyo close: 143.55

US LUNCHTIME RATES
Fed Funds $8\frac{7}{16}$%
3-mo Treasury Bills:
yield: 7.934%
Long Bond:
$102\frac{3}{16}$
yield: 7.915%

STOCK INDICES
FT-SE 100:
2,213.2 (−3.5)
FT Ordinary:
1,771.4 (−1.6)
FT-A All-Share:
1,112.75 (−0.2%)
New York close
DJ Ind. Av.
2,626.43 (+0.82)
S&P Comp
338.70 (−0.40)
Tokyo: Nikkei
35,750.12 (+86.92)

LONDON MONEY
3-month interbank:
closing $15\frac{15}{16}$% ($15\frac{1}{32}$)
Liffe long gilt future:
Dec $91\frac{27}{32}$ ($92\frac{3}{32}$)

Chief price changes yesterday: Page 27

MARKET REPORTS: CURRENCIES, Page 46; BONDS, Pages 31, 32; COMMODITIES, Page 40; EQUITIES, Pages 41 (London), 49 (World)

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Jordanian king faces an Islamic challenge from the Brotherhood

King Hussein and his government view the future with a mixture of elation and apprehension after the momentous events of last week, which saw the election of a new, unpredictable parliament dominated by the Islamic movement Page 6

Soviet economists wrestle with obstacles to reform

By Quentin Peel in Moscow

THE entire process of economic reform in the Soviet Union is facing growing public resistance, and radical economists are beginning to despair of the likelihood of early improvement. That was the overwhelming mood on the opening day of a gathering of economists summoned to try to agree on a comprehensive programme for perestroika in the next decade.

The three-day meeting summoned by President Mikhail Gorbachev and his leading economic adviser, Dr Leonid Abalkin, brought sharp clashes between reformers and more conservative figures such as *factory managers and trade* union leaders, and between reformers themselves.

Dr Abalkin, deputy prime minister in charge of economic reform, presented the meeting with a programme for phased changes between now and the year 2000, relying heavily on a prices and incomes policy to assuage deep popular anxiety about the likely inflation from price reform and relaxation of central controls.

He warned that public scepticism about the reform process and instinctive resistance to liberalisation and relaxation of central controls was high.

He said an opinion poll showed 57 per cent of people believed the economy would get worse and 23 per cent had no strong opinion, with only 20 per cent showing any real confidence in the future.

As for policy prescriptions, more than half those questioned – 52.4 per cent – favoured reintroduction of "strict discipline and order" and another 14 per cent imposition of strict price control. Only 15 per cent opted for the reform position, supporting change in property relations as the key to improvement.

In spite of his gloom about public perceptions, Dr Abalkin argued that reform must go ahead swiftly, with "unpopular and strict measures". The problem was that "we had no concept or theory of the transitional stage, no idea of the sequence of how to implement our reforms." There was a real danger of "creeping back" into the old ways of the centralised "command economy".

Yet *his plan was described* as too cautious by other reform economists, including Professor Abel Aganbegyan, one of the first economic theorists of perestroika. He said the government "does not understand the crisis in finance and the consumer market," referring to the huge overhang of excess money supply in a market suffering from chronic shortages of goods to buy. Inflation was already over 10 per cent, he said. The answer he proposed was to issue government bonds guaranteeing subscribers flats, cars, land and personal computers or video-recorders in the future in exchange for their cash today.

Another radical proposal came from Professor Nikolai Petrakov, deputy director of the Central Economico-Mathematical Institute, who called for the early introduction of a second convertible rouble to attract foreign investors.

Yet his plan was denounced by both Mr Valentin Pavlov, Minister of Finance, and Mr Viktor Gerashchenko, chairman of Gosbank, the state bank, who said it would raise the rate of inflation and encourage the black market.

Dr Abalkin presented his entire plan as subject to the fundamental condition that it was not a "step away from socialism", but rather intended *to "reinvigorate socialism."*

His words were taken up by Dr Gavriil Popov, one of the leading radical economists in the Congress of People's Deputies.

"I am fed up with the use of the word socialism, in socialist market, socialist property, and so on," he said. "We don't want to eat socialist sausage. Just ordinary sausage. We don't want to take socialist medicine. Just ordinary medicine."

Mladenov's hopes hang on crucial meeting

By Judy Dempsey in Sofia

THE ability of Bulgaria's new party leader, Mr Petar Mladenov, to push through a set of coherent political and economic reforms will largely depend on a crucial central committee meeting due later this week.

Mr Mladenov, foreign minister since 1971, is still regarded as an interim leader, but his chances of smoothing the path to reform now hinge on who will be elected to the politburo following Mr Todor Zhivkov's unexpected resignation last Friday.

How the eclipse of Mr Zhivkov was engineered is still open to speculation. But the ouster is thought to have been linked to the deteriorating economy. It is also believed that Mr Georgi Atanasov, the Prime Minister, backed by a *foreign ministry apparat* repeatedly embarrassed by the persecution of the ethnic Turkish minority, played a key role in forcing the resignation.

Mr Mladenov may have discussed personnel questions during a brief stop-over in Moscow on his way to China earlier this month. His immediate task is to reorganise the politburo, which has nine full voting and six non-voting members. The full members of the politburo are divided between hardliners *(in the majority)*, and the reformers.

The promotion of some reformers, such as Mr Andrei Lukanov, Minister for Foreign Economic Relations, to full membership, would be a considerable asset to Mr Mladenov, whose own party base is weak. Mr Mladenov has received a measure of support from Eco-Glasnost, the independent environmental movement and the largest of the unofficial groups.

Yesterday, as an indication of some attempt to introduce political reforms, the Supreme Court overruled a decision by a district court not to register Eco-Glasnost. The outcome of the case should be known within a week. Meanwhile, ordinary Bulgarians seem more concerned by the growing shortages of such commodities as cheese, cooking oil and stockings.

Focus switches to form of future links with GDR

Bonn scrambles for clear response

By David Goodhart

WEST Germany's Government and political parties were yesterday still scrambling to respond to developments in East Germany, with attention beginning to focus on the institutional form which closer co-operation could take.

There were also calls from Mr Egon Bahr and Mr Günter Gaus, two leading Social Democrat policy makers on German-German relations, for a conference of the four victor powers – the US, Soviet Union, Britain and France – on the future national status of Germany.

Mr Rudolf Seiters, the head of the Chancellor's Office, chaired a committee of state secretaries from the most important ministries which agreed to draw up proposals for closer co-operation with, and aid for, East Germany. The committee will meet again tomorrow chaired by Mr Helmut Kohl, the Chancellor, and with ministers themselves in attendance.

Government spokesmen say that the starting point for closer ties is likely to involve beefing up the existing 22 German-German commissions which meet intermittently to discuss practical matters such as transport and telecommunications links or environmental problems.

The Social Democratic Party has called for the convening of the German-German economic co-operation committee, agreed in 1987, and proposed a German-German investment bank.

Government spokesmen also suggest that the first steps towards closer economic – although not political – co-operation might come as early as Mr Seiters' visit to East Berlin next Monday designed to prepare for Mr Kohl's meeting with Mr Egon Krenz, the East German leader, next month. According to Mr Willy Brandt, the former Chancellor, who yesterday addressed the foreign press, Mr Krenz himself has spoken of breathing new life into the existing German-German commissions.

Mr Brandt repeated his insistence that one should not speak of reunification – as things will never return to how they were – but of new forms of unification which depended on the free decisions of the two German states.

He also stressed the role of the four victor powers saying that "over the exact form of unity we will not decide alone," but was cautious about a special conference on Germany saying first that the "two powers" – the US and Soviet Union – should discuss the matter at the summit next month.

On short-term relations with East Germany he said: "We must not interfere, we must leave it to the people there to decide, but we must be as helpful as possible especially in economic co-operation."

Mr Dietrich Stobbe, like Mr Brandt a former SPD mayor of West Berlin, suggested that the round-table commissions could become the nucleus of a German-German confederation which would, *at least initially*, concentrate on solving small-scale practical matters.

Both the right-wing Christian Social Union and the left-wing Greens will debate the newly open German question at special conferences this weekend. The SPD said it would include a new debate on the theme at a special conference on a new party programme at Bremen next month.

The Christian Democrats and the SPD are broadly united that the current priority is the introduction of full democracy in East Germany followed by massive economic aid – differences then emerge over the priority which should be given to political unity.

The CDU is unashamedly for it and the SPD is more reserved.

Yesterday most of the German question argument came from within the SPD. Mrs Anke Fuchs, party chairman, and Mr Norbert Gansel, executive member, both rejected the proposal from Mr Bahr for a conference of the four powers.

Economists weigh the costs and benefits

By Andrew Fisher in Frankfurt

THE WORLD has been amazed and delighted by the pictures of embracing and cavorting Germans from East and West, pneumatic drills punching away at the hated Berlin wall, *and long deprived consumers* suddenly overwhelmed by the array of goods in the Federal Republic's well-stocked shops.

Around 3m East Germans have swarmed over the border in the past few days. Each is entitled to DM100, money that was swiftly spent.

But beyond the immediate costs and benefits, enormous implications for the economies of both Germanys have been raised. The stock market has forged ahead in anticipation of big profits increases for West German industrial and consumer companies. On the other hand, the bond market has been dispirited by the inflationary, and thus interest rate, aspects of the extra growth prospects in West Germany.

At this stage, there are more questions than answers, whether the subject is the impact on West German growth, the benefits to West German companies of new business in East Germany and other Comecon countries, and – perhaps the biggest imponderable of all – the future direction and pace of the East *German economy*.

Economists agree that the inflow of refugees will add at least 0.25 percentage points to the Federal Republic's growth rate next year after a robust 1989. Thus after growth of a likely 4 per cent this year, 3 per cent seems assured for 1990. The West German Savings Banks Association has forecast expansion of nearly 4 per cent next year as the result of the 600,000 immigrants from East Germany and the rest of eastern Europe.

Yet the inflow also brings problems. Housing the newcomers will cost money – the Government is allotting DM6bn (£2bn) for new housing – and they have to be found jobs. Since many immigrants are young and keen to work at a time when many sectors of the West German economy are straining at capacity limits, their absorption should not prove too hard. Moreover, the extra purchasing power should add around DM10bn a year to private consumption, the Institute of German Economy has estimated.

However, this consumption rise will come as taxes are reduced next year by DM25bn. Demand for West German goods from EC countries is expected to remain high, while the upsurge in the building industry after several years of stagnation will also keep up pressure on prices. The Bundesbank will probably have to retain a fairly firm hold on the monetary reins, though some economists caution about keeping it too tight.

But Mr Claus Köhler, a Bundesbank director, described inflationary fears as exaggerated. The tightening labour market would be relieved by the influx of mostly young, trained people from the East. And extra demand would suck in imports, so reducing the Federal Republic's stubbornly high surpluses.

Next year, according to Schröder Münchmeyer Hengst, a Frankfurt bank, the consequences could include a rapid DM5bn drop in the current account surplus (accelerating to a DM30bn decline in 1994), a rise of DM5bn in the public sector deficit and then a sharp fall after 1992, and a modest fall in the savings rate.

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Italy leads regional group plan

By John Wyles in Rome

PRIME Ministers of Italy, Austria, Hungary and Yugoslavia will meet in Rome next year to review progress in forming a new regional grouping which has been launched on the basis of a common desire "to promote the process of greater unity in Europe".

A meeting, called on an Italian initiative, of deputy prime ministers and foreign ministers from the four countries issued a joint declaration in Budapest at the weekend pledging close future collaboration in areas such as energy, industry, environmental protection, transport, tourism and culture.

All the ministers were clearly anxious to stress the symbolic importance of such a new relationship against the background of the changes in Eastern Europe. For Italians such as Mr Claudio Martelli, deputy prime minister, there was no doubt about the historic significance of a new grouping based on a member of Nato and the European Community (Italy), a member of the Warsaw Pact and Comecon (Hungary), a neutral member of Efta (Austria) and a communist non-aligned state (Yugoslavia).

Their joint declaration said they hoped to contribute to the success of various forms of regional co-operation and that "guided by the new spirit prevailing in Europe" they could help "the gradual creation of a common economic area on our continent".

Each country is to take responsibility for developing a particular area of co-operation: Italy for transport, Austria the environment, Hungary co-operation between small and medium-sized businesses, and Yugoslavia cultural links.

Development of the new grouping is bound to be closely watched by other European countries, both because there is scepticism that it can be translated into more than words and because some issues, such as transport and environmental problems, are already the source of difficulties between Italy and Austria and Italy and Yugoslavia.

EUROPEAN NEWS

East German economists cautiously voice plans for renewal

By Leslie Colitt in Berlin

EAST GERMAN economists, unable to voice their views on economic reforms for years, are cautiously discussing alternatives to the highly centralised and minutely planned GDR economy.

Prof Karl Morgenstern, an economist at Dresden's Technical University, said in the Communist Party newspaper Neues Deutschland yesterday that East Germany did not have to start at zero in searching for "ways of renewal." He pointed to the New Economic System, the aborted economic reform in the 1960s, economic reforms in other socialist countries in the same period and perestroika in the Soviet Union.

He did not, however, mention economic reforms in highly indebted and inflation-ridden Hungary or Poland. Many East Germans regard the reforms there as negative examples to be avoided by the more developed East German economy.

State companies had to be self-financing and conduct their own foreign trade, Mr Morgenstern said. Above all flexible, rapid and rational decisions required an "entrepreneurial spirit" which would release the energies of management and employees. Over-bureaucratised centralism should be ended and responsibilities given to companies.

Central planning and administration needed to be revised, but abandoning it would be "disastrous." The issue was not that of keeping the "socialist state out of the economy," but of greatly limiting central commands and a greater use of economic instruments such as prices and banking. Profit was to play a "much greater" role.

The development of "goods-money relations" – a traditional Communist term for the market – was essential for an effective economy. Convertibility for the GDR Mark could only be achieved in stages, he said.

Prof Morgenstern said reform of prices and subsidies would have to be approached carefully. Subsidies could not be reduced as a matter of principle but on the basis of structure and extent. Sounding much like the Hungarian, Czechoslovak and Polish Communist reformers of two decades ago, he advocated a "synthesis" of planning and "limited market regulation."

Interestingly, no one has yet publicly launched a frontal attack on the Kombinate, the huge vertical trusts set up under the disgraced economics supremo Mr Günter Mittag, which dominate East German industry.

They are widely blamed for eliminating supplier companies and further reducing company flexibility.

A recent discussion at the party's Economics Academy in East Berlin revealed that the main concern was achieving convertibility. One of the speakers noted that convertibility of the GDR Mark would be "decided on the Kudamm," West Berlin's main shopping boulevard where East German visitors spent much of their time gawking at goods which they could not buy.

Another speaker noted that if East Germany did not want "Chinese conditions" then it would have to achieve convertibility immediately.

Berlin's heart beats faster as city sizes up its dramatically improved prospects

By Leslie Colitt and David Marsh

THE PUNCHING of holes in the Wall is likely to revive Berlin's economic heart - and could turn the old Prussian capital into a focus for new East-West industrial contacts. That was the view of leading economic and political figures in West Berlin yesterday, as the city drew breath after its amazing weekend.

The tumbling barrier brings a tide of challenges. How will West Berlin react to the expected stream of moonlighting East German workers? Will further inflows of people add sizeably to housing pressures, already an electoral hot potato? Will property prices rise further, as companies and business organisations think of moving headquarters back to Berlin, as the potential capital of a reunited Germany?

"The functionaries in Bonn are shaking – real estate prices could go down there," said Mr Wolfgang Kartte, the jovial president of the Federal Cartel Office, which has its headquarters in West Berlin. Mr Kartte, a Berliner, said recent events gave "a great chance" to the city. If the German capital moved one day back to Berlin, the Cartel Office would have to settle in Bonn to keep its distance from politicians, observed Mr Kartte – only half in jest.

He foresaw "difficulties" in coping with the immigration flows. Already this year, 35,000 people from East Germany and other parts of Eastern Europe have settled in the city. During the last five years, the West Berlin population has risen by 143,000. This has swept away its image as an ageing city, but has clogged public services and roads and driven up rents.

Mr Kartte added: "At last we will no longer be on the edge of things. We will get back our Hinterland."

Mr Dieter Hiss, a former adviser to Chancellor Helmut Schmidt, is now president of the Berlin Central Bank, which has been busy over the weekend supplying funds to West German banks coping with the travel inflows. For the East, "Berlin will gain in importance as a place to gain access to Western know-how," Mr Hiss said. West Berlin will become more attractive for company investment.

Mr Hiss saw the East and West German currencies remaining in force, with all the complications this could bring for business life in a city slowly coming together. "I cannot foresee a joint currency before there is a single state."

Assuming an orderly transition to greater democracy in the East, Mr Hiss predicts that some West Berliners could even move to the East before too long and take pressure off the housing market.

A tide of challenges is sweeping through the holes punched in the Berlin Wall

Mr Kurt Kasch, board member of Deutschebank in West Berlin, said he saw a field day for consulting, management, and technology companies dealing with the East. "We have been saying for years that Berlin was the gateway to the East. It always sounded a bit artificial. Now we will have a chance."

He is confident the city can cope with the newcomers. He points out that 2.7m people lived in 1939 in the area now taken by West Berlin, compared with 2.1m now. West Berliners also have, on average, twice as much housing space as people in the Federal Republic, he says.

With companies like Siemens and Daimler-Benz maintaining units in the city, Berlin remains the biggest industrial aglomeration between Moscow and Paris. But West Berlin relies on Bonn Government funds for around half its budget. The city will continue to need this money to help itgradually open up with the East, said Mr Horst Kramp, head of the West Berlin Chamber of Industry and Commerce.

He is enthusiastic about extending economic links with East Germany. However, Mr Kramp's own company, the Schering pharmaceuticals concern, will find it much more difficult to find a foothold in East Germany than in Poland or Hungary, in view of the total lack of a legal framework in East Berlin, even for joint ventures, Mr Kramp said.

While some German politicians actually see Berlin as the capital of a German confederation at a not too distant time, most say Germany's strong federal traditions will prevail and that Berlin's pre-war political role will not fully be recaptured. Mr Werner Kolhoff, the Social Democratic spokesman for the West Berlin Government, said the city stood to gain politically and economically in coming years from its links with the East.

The expected influx of East Germans seeking work will compound the problems created by tens of thousands of Poles who come each weekend to sell everything from children's clothing to vodka and cigarettes.

East Germany is drawing up regulations to prevent its workers from taking up regular employment in West Berlin but moonlighting will be virtually impossible to prevent. Retailers lick their lips over the prospects of West Berlin as a commercial centre of East Germany and beyond. The city is already a magnet for Polish shoppers who buy used cars, electronics and other consumer goods, and for Polish entrepreneurs seeking raw materials.

An official of West Berlin's transport department said the city's location – so recently a liability – was now its biggest plus point. He noted that Berlin was a natural rail, road and canal centre.

The city is well-positioned to profit from the expected industrial renewal of East Germany and Poland. Joint ventures are likely to be formed in West and East Berlin and Mr Christian Gründler of the Berliner Bank said they could one day float issues on the hitherto miniscule Berlin Stock Market.

The Czechslovak and Soviet ambassadors in the East German parliament yesterday

Opposition fears free elections could catch it unprepared

By David Goodhart in Berlin

LEADING MEMBERS of the East German opposition fear that free elections could come too early, perhaps early next year, leaving them insufficient time to prepare.

Mr Lutz Nagorski, a local organiser of the New Forum umbrella group in East Berlin, says rushing forward elections is now the only hope of survival for a reformed Socialist (ie Communist) Unity Party (SED). "The trouble is we need time, we have so little experience of how democracy works," he said.

The SED central committee last week proposed a new law guaranteeing free and secret elections. Although it is not yet clear if that will mean multi-party elections – potentially threatening the constitutionally guaranteed "leading role" of the SED – next month's party congress could call for genuinely free elections.

One of New Forum's founders, the painter Bärbel Bohley, voiced concern yesterday that free elections could come too quickly, complaining the opposition parties had virtually no visibility.

New Forum has decided not to become a political party but includes members of groups – such as the Social Democratic Party (SDP) or Democratic Rising – which have. SDP leaders have expressed worries about being pushed too rapidly into elections.

Mr Nagorski was speaking after another meeting of opposition groups at the Gethsemane Church in East Berlin on Friday which revealed a mixture of joy and uncertainty about the speed of change. To the astonishment of many of the mainly left-wing intellectuals who dominate the opposition, several political demands aired at a similar meeting three weeks ago are now being implemented. But the Government is still viewed with suspicion. One man pointed out that just because the Government said it was doing something did not mean it was actually doing so. He cited release of political prisoners.

The abandonment of travel curbs was not mentioned much at the meeting, nor was German reunification which is positively rejected by the opposition, even though many ordinary East Germans would welcome it – not necessarily for nationalist reasons but because it seems the most direct way of creating a richer and freer society.

Mr Nagorski accepts that the opposition knows what it is against but not what it is for. Creating an alternative vision of society neither like "real existing socialism" in East Germany nor like capitalist West Germany had to be a priority. Asked what was wrong with West Germany, he said: "Consumerism". His model society is described in the Communist Manifesto – although he agrees a few problems exist on the way.

Euphoria spreads to the stock market

By Andrew Fisher

THE EUPHORIA on the streets continued to transmit itself to the West German stock market yesterday, as shares took heart from the emotions and hard cash prospects opened up by the removal of barriers between the two Germanys.

Among the shares moving up steeply were those of consumer-oriented companies, which were expected to benefit from the extra purchasing power both of those newly settled in the West and of people now able to come for short visits.

Also firmer yesterday were engineering stocks like MAN (up DM40) and Linde (DM37 higher after an initial DM70 gain), with investors hoping for increased business from East Germany as it restructures its outmoded economy.

Altogether, the DAX real-time index of 30 shares moved up by 34.27 points (2.3 per cent) to reach 1,530.46 after Friday's rise of 33.73 points. Foreign buying was strong.

Adding a sober note, dealers said much of the excitement would die away once the novelty of the newly opened borders had worn off. But for the moment, television pictures of eager East German visitors snapping up goods in the shops gave many shares a new impetus.

Moreover, even without the flood of people now able to come and go at will, economists had forecast a sizeable rise in consumption as a result of the entry of thousands of dissatisfied East Germans who had come to stay.

Thus, stores like Karstadt (up DM37.50), Asko (up DM73), and Horten (up DM13) showed double-figure advances. Kaufhof, which had spurted by DM56 on Friday, put on a more leisurely DM4. Siemens, the electrical concern, was DM24.50 higher, with Deutsche Bank moving up by DM14.50.

Among shares of smaller companies to increase sharply were Salamander shoes and Maho machine tools.

"Long-term, I'am very bullish," said Mr Reinhard Winkler of Rhine Securities.

Court may have to settle fate of Bagnoli plant

By John Wyles in Rome

THE LEGALITY of Italy's refusal to close the steel melting sector of its Bagnoli plant near Naples looks set to be tested in the European Court unless European Community industry ministers suffer an unforeseen change of heart today.

Having accepted last December that the steel plant would close at the end of next March, Italian policy has done an about turn this year because, according to ministers, the strength of demand for rolled products has been such as to wipe out the plant's losses.

Rome has been urging its EC partners to accept a formula which would tie the plant's future to the Community's market for steel coils. Using 1988 consumption as a base, the plan suggests that the closure would be triggered if consumption fell by 15 per cent over six consecutive months.

The French EC presidency, supported by Greece, Ireland and Spain, has been trying to urge a flexible discussion of this approach, but both Britain and West Germany are obdurately opposed to such a compromise.

Since unanimous agreement is needed to alter last December's decision, the prospects of an agreement today look dim. A great deal of determination has been pumped into Rome's present position by Mr Gianni De Michelis, the Foreign Minister, who argues that the European Commission's initial recommendation in favour of closing Bagnoli's steel plant was a departure from past practice which has always based restructuring on the closure of rolling mills.

The closure at Bagnoli was the price requested for allowing Italy to spend L5,170bn (£2.4bn) on liquidating the old state steel company, Finsider, and launching its slimmed-down phoenix, Ilva. Mr De Michelis is quite determined that the issue should be dealt with by the European Court, not, he insists, because Italy wants to buy time but because "we are right."

During a speech on this and general foreign policy issues last week, he insisted that Italy was *now* regarded as a "reliable partner" by its allies, which was not the case, he said, 10 years ago.

As Minister for State Shareholdings, Mr De Michelis was associated with Bagnoli's modernisation and expansion at the start of the decade which *coincided with the collapse of* the European steel market.

The plant has never worked at full capacity and employment has steadily fallen from over 4,000 to a little over 2,000.

Greece waits in siding on way to political maturity

Observers foresee emergence of system free of patronage and ideological division, writes **Kerin Hope**

GREECE'S cafes are simmering with debate over the country's political future while its elderly political leaders haggle over a coalition government after the second inconclusive election in five months.

The pessimists argue that the country is heading back to the instability of the early 1960s, when governments rarely lasted more than a year, loaded down with debt and falling still further behind its European Community partners in the run-up to a barrier-free market.

More sanguine observers, however, speak of an end to the era of larger-than-life political personalities and popular rhetoric, and the gradual emergence of what they call a "normal" political system, free of both patronage and divisive ideological baggage.

"I think we are going through the last spasms of a period that's coming to an end. Biologically, there must be change," said Stelios Argyros, the president of the Greek industrialists' federation.

In spite of another hung parliament and the prospect of elections again in the spring – and possibly in December as well, if a coalition falls through – nobody talks of a crisis. The word plastered across tabloid headlines is simply *adiexodos*, or stalemate.

Even the alarmists no longer speculate about a military coup, something that, until a year or so ago, seemed to loom as a possibility every time there was a power cut in Athens.

Smiles but no accord. The mandate has now passed from Papandreou (left) to Florakis

The Communist leader Mr Harilaos Florakis, who heads the Left Alliance, yesterday took over the three-day presidential mandate from Mr Andreas Papandreou, but it was widely expected that he would also fail to form a coalition. This would leave it up to President Christos Sartzetakis to persuade the three party leaders at the end of the week to reach agreement on an all-party government or one made up of technocrats.

When the election returns started coming in last Sunday, it looked as though Mr Constantine Mitsotakis's New Democracy Party was headed for a comfortable working majority in parliament. As the evening wore on, though, conservative candidates started looking grim; by midnight, it was clear that, as in June, New Democracy had narrowly missed a majority, despite raising its share of the vote by 2 percentage points.

It was defeated not by the left but by the electoral system, a complicated proportional arrangement concocted last winter by the Socialist Government of former Prime Minister Mr Papandreou, with the apparent aim of ensuring that none of the parties could win an outright parliamentary majority.

For Mr Papandreou, 70, who in the past year has survived heart surgery, a highly-publicised divorce and indictment on charges of ordering illegal phone taps and taking bribes, the election result came as a welcome boost. His Pan-Hellenic Socialist Movement (Pasok) increased its vote-share by 1.4 points, which he took as a vindication of his rejection of the allegations against him.

"The dream he inspired may have faded, but a large section of the population is still captive, with nothing to replace it," said another political scientist, Mr Nikiforos Diamandouros.

Some of the Socialists' additional votes came from people who supported Left Alliance in June, but felt betrayed afterwards, when it teamed up with New Democracy.

The unprecedented right-left coalition also healed a bitter political and social rift dating from the civil war between nationalists and communists in the late 1940s. The Alliance may have been punished for joining forces with the class enemy, but its 2.3 point loss was a small price to pay for entering the political mainstream *at last*.

Now that Mr Florakis, 75, has acquired an avuncular image and his Communist party has become respectable, there is only one serious political feud waiting to be resolved: the 25-year-old rivalry which began when Mr Mitsotakis, now 71, walked *out of a government* headed by Mr Papandreou's father, setting off a political crisis that eventually resulted in a military dictatorship.

GREEK businessmen yesterday called on the Bank of Greece to rescind last week's measures restricting credit expansion to the private sector, claiming they would trigger "a price explosion and a surge in the black economy" at a time of political uncertainty, writes Kerin Hope.

Organisations representing industrialists, chambers of commerce, department store owners and small manufacturers said they would protest to the caretaker Government. Inflation is already at 14.3 per cent, while the flourishing black economy is estimated to total at least 35 per cent of GDP.

Faced with a continuing economic policy vacuum, Mr Dimitris Halikias, the central bank governor, employed monetary measures to curb the soaring budget deficit, ordering commercial banks to limit private sector loans in the fourth quarter to only 5 per cent above the third quarter level. Banks that lend above the limit will have to place 25 per cent of the loan amount in a non-interest bearing deposit with the central bank for six months. The measures are expected to bring a 2 percentage point rise in interest rates, making the lowest lending rate at least 24 per cent.

This year's budget deficit is expected to reach a record Dr2 trillion, mainly because of a shortfall in revenues of around 12 per cent. The current account deficit is forecast at $2.5bn, more than double last year's $957m.

According to some estimates, more than Dr350bn £1.35bn) must be quickly raised to cover public sector expenses in the last two months of 1989.

Italy and Algeria to build fourth gas line, boost ties

ITALY AND Algeria will build a fourth gas pipeline to carry Algerian exports to Italy and will develop cooperation in petrochemical projects, a joint communique said yesterday, Reuter reports from Algiers.

The communique, signed by the two foreign ministers during a visit to Algeria by Italian President Franceso Cossiga, also pledged to boost financial and political ties.

It said the two countries resolved "to reinforce the capacity of the Algerian-Italian gas pipeline, in particular by the addition of a fourth line, and to develop industrial collaboration in the petrochemical sector."

Italy, Algeria's biggest buyer, already imports 41 per cent of its natural gas from the North African country.

Three existing lines from Algerian gas fields to Sicily via Tunisia carry 12.5bn cubic metres of natural gas a year.

Algerian officials earlier spoke of expanding them to handle 13.5bn cubic metres a year.

Challenge to EC air accords

By Tim Dickson in Brussels

CO-OPERATION agreements involving Air France and three other large European airlines have been challenged by the European Commission in a decision which lays down important guidelines for competition in the aviation sector.

The announcement follows the examination in Brussels of nine accords notified to the EC authorities last year where one or other partner is operating flights on a route while the costs and revenues are shared.

In three cases – an Air France and NFD Luftverkehrs agreement covering Paris to Nuremberg; Air France and Brymon between Paris and London City airport; and Sabena and London City Airways operating between Brussels and London City – the Commission has given its blessing to deals for six years on the grounds that the routes are new and that one of the companies is relatively small.

Commenting on the six other cases, however – covering Air France deals with Iberia (Paris-Bilbao-St Jacques de Compostelle), Alitalia (Paris-Milan, Paris-Turin) and Sabena (Paris-Brussels, Bordeaux-Toulouse-Brussels, Brussels-Lyons-Marseilles) – the Commission says it is not convinced that the pacts are needed to maintain services on these routes and that it suspects they may hinder competition. It has formally notifed its "doubts" to the airlines, who will now be expected to enter into negotiations with the Brussels authorities with a view to altering the terms of their bilateral arrangements.

Yesterday's announcement stems from the package of liberalisation measures adopted by the EC at the end of 1987.

Polish miners shun coal plea

By Christopher Bobinski in Warsaw

THE Solidarity movement's mining branch yesterday reacted coolly to a request by Mr Tadeusz Mazowiecki, the Polish Prime Minister, for miners to increase output at weekends.

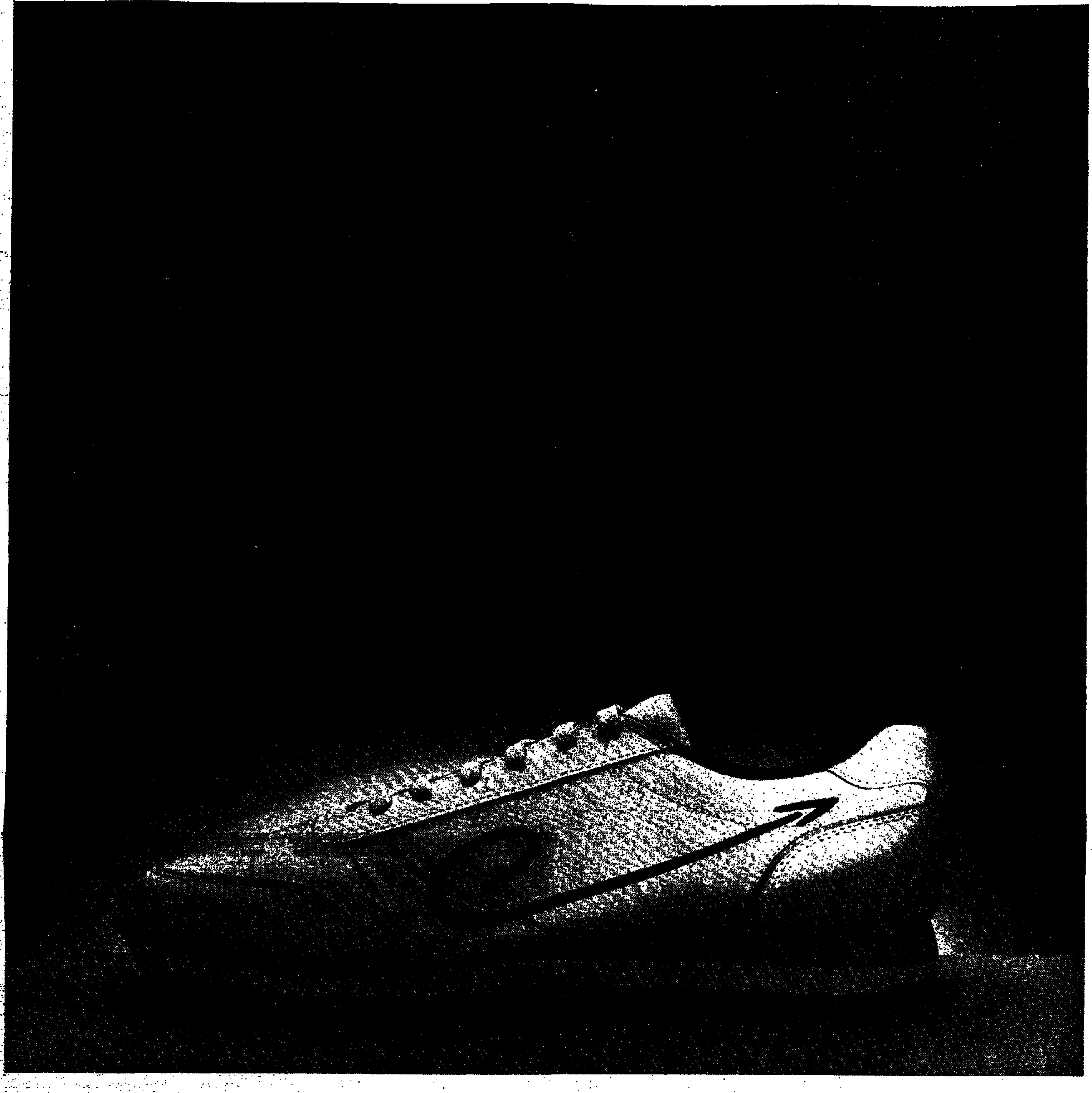
Coal production on Saturdays has fallen by half since last April when Solidarity signed an agreement with the then Communist government which raised wage rates for weekday working and made Saturday shifts relatively less attractive. This year's production is likely to be 14m tonnes less than the 191m tonnes produced in 1988.

In the past when miners had no choice but to work Saturdays, weekend working accounted for 30m tonnes of annual production.

The Solidarity miners, meeting in Katowice, expressed their "understanding for the premier's fears about production levels." The question required an "urgent meeting with Mr Mazowiecki as well as the finance and industry ministers to discuss the conditions for an effective response to the appeal."

Exports, which make up around 15 per cent of Poland's hard curency earnings and ensure supplies of oil and gas from the Soviet Union in exchange, are likely to total 29m tonnes, or 2m tonnes less than last year.

Savings made in the mild winter mean that the shortfall in production will not have too great an effect on industrial output in the next few months. But should miners continue to shun Saturday working, the government will face the choice of either closing down some steel capacity or cutting back on coal sales abroad.



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Jordanian king faces an Islamic challenge

Tony Walker and Lamis Andoni on the Moslem Brotherhood's success at the polls

JORDANIANS are viewing the future with a mixture of elation and apprehension after the momentous events of last week, which saw the election of a new parliament dominated by an Islamic tendency that is committed to change.

Jordan became perhaps the first Arab country in recent memory to allow free and fair elections for a parliament whose powers will extend beyond those of the simply advisory under the 1953 constitution. For King Hussein and his appointed government, it will be a time for living uncertainly with a parliament whose behaviour at this stage is impossible to predict.

Jordanian officials are seeking to put the best gloss possible on the stunning success of Moslem Brotherhood (Ikhwan) candidates, who secured a quarter of the seats in the 80-member parliament. The Ikhwan will be supported by at least a dozen sympathisers, giving the religious trend a near majority in the chamber.

"It's not a risky venture," declared a Jordanian official of the decision to conduct an open election. "It's a new venture. It would have been more risky if we hadn't institutionalised the opposition.

"Now we are going to build a political structure in which the Islamic movement will have a place, along with the national movement and other political trends."

These are bold intentions in a country where a democratic and party-based political culture has been suppressed, for various reasons, for a generation. Parliament itself has been in limbo since the 1967 Six-Day War stripped Jordan of the West Bank, home of half the deputies.

The king's July 1988 decision to cede notional administrative responsibility over the West Bank to the Palestine Liberation Organisation cleared the way for fresh elections and a newly-constituted parliament. Jordanian officials would be the first to admit that Jordan is entering uncharted waters.

Outlawed and persecuted throughout the Arab world for many years, its leaders jailed and tortured, the Moslem Brotherhood's success in the Jordanian poll has a significance that extends well beyond Jordan's own boundaries.

Ikhwan activists in almost all Arab states, and most particularly in Egypt, will have been encouraged by their movement's success in the Jordanian poll. They may now be emboldened to push harder their own political claims.

In Jordan itself, observers see the Ikhwan's success as a challenge for all, including the movement itself. Mahmoud

Hussein: granted sanctuary to Ikhwanites

Sherif, a leading Jordanian journalist and a former member of the Moslem Brotherhood, said the result would be "a test for the tolerance of the government and the rationality and objectivity of the Moslem Brotherhood".

Sheikh Abdul Munim Abu Zant, regarded by many as the most militant and influential of the newly-elected Ikhwan MPs, said the Islamic trend had emerged with the most seats because its supporters were motivated by conviction.

But he made it clear, in a lengthy interview, that while the Islamic tendency was committed to basic reforms of society, including the strict application of religious law, it was not anxious to provoke a confrontation with the palace at this early stage.

The relationship between the palace and the Ikhwan is a long and complex one, dating from the 1950s, when King Hussein granted sanctuary to Ikhwanites fleeing from Egypt after President Nasser outlawed the movement. The Moslem Brotherhood has been allowed to maintain a quasi-political organisation in Jordan while all other political parties were banned.

The Ikhwan was seen as a loyalist counterweight to leftist groups, often dominated by Palestinian radicals, who were regarded as a much more serious threat to the establishment. The king and his courtiers will now clearly be obliged to rethink their strategy.

An early test of the government's ability to deal with deputies of all political trends – including nationalists and leftists – anxious to show their muscle will come when the new cabinet is presented to parliament for a confidence vote, probably late this month. "We have to play the parliamentary game; we'll have to learn to build a majority," said a Jordanian official.

King Hussein has said that he hopes to rule in harmony with the new parliament. He announced plans for a "National Charter" that would regulate the political, economic and social life of the country.

This master plan, to be presented to the electorate at a plebiscite, would deal with the vexed issue of political parties, banned since 1957. The king is clearly setting great store by the document, although some observers have expressed concern that it may be used to curtail political activity.

Last week's elections, which followed riots in April this year, have encouraged speculation that King Hussein may have decided to detach himself further from the day-to-day political process, and perhaps begin behaving more like a western monarch.

The king himself dealt sharply with a question along these lines at his press conference last week. The question and answer were later edited out of a televised version of his meeting with journalists.

His advisers say a better comparison would be with France's Fifth Republic, under which the president concerns himself with security and foreign policy, and leaves his appointed officials to get on with the business of governing.

"In the Islamic tradition," said an official adviser, "great powers are accorded to the head of state. We are not going to have a monarchy like Sweden."

The trial of two South Koreans who paid an illicit visit to communist North Korea was yesterday disrupted by right-wing demonstraters and supporters of the pair, who refused to appear in court, report Maggie Ford from Seoul. Radical students also staged a rooftop protest (pictured above) not far from the court.

Miss Lim Su Kyung, a university student, and Father Moon Kyu Hoon, a Catholic priest, visited the North in July. They returned through the demilitarised zone on the border, the first to do since the Korean war ended in 1953.

They have been charged with breaking the draconian National Security Law, which bans any association with "anti-state" or communist organisations such as North Korea. A Protestant clergyman, Mr Moon Ik Hwan, aged 72, was last month sentenced to 10 years' jail under the law, also for visiting the North.

Deng urges China military to back new party chief

By Peter Ellingsen in Peking

CHINA'S veteran leader Deng Xiaoping, days after formally stepping down as chairman of the powerful Central Military Commission (CMC), has urged the armed forces to stay loyal to the Communist Party and his successor as party secretary, Jiang Zemin.

In a further attempt to secure unanimous backing for Mr Jiang, an engineer with no army credentials, Mr Deng exhorted a meeting of top military officers to stick to the party line, and obey the new CMC, headed by Mr Jiang.

"I believe the Peoples' Liberation Army will surely live up to its nature as the army of the party, the socialist state and the people," Deng told an enlarged meeting of the CMC on Sunday.

PLA commanders, along with conservative leaders on the revamped CMC, including President Yang Shangkun, have pledged support for Jiang, but doubts persist about the new chairman's clout and credibility, particularly should Deng become too ill to wield influence.

Deng's unexpected retirement last Thursday propelled Jiang, a former Shanghai party boss, into the top job, but few believe the appointment has secured the succession. Deng's two previous designated successors, Hu Yaobang and Zhao Ziyang, were both reformers and were ousted by hardliners.

The man Mao Zedong called his heir, Hua Guofeng, stayed in office only a short time before being dumped by Deng.

Jiang acknowledged his debt to Deng at the weekend when he conceded that the patriarch would still be consulted on key issues. "If any problem arises we will consult comrade Deng and he will never turn us down," he said.

While the party is, publicly at least, striving to proclaim political unity, there is less consensus on the equally pressing question of China's rapidly deteriorating economy.

Despite the fact that Moody's, the US credit-rating service, last week down-graded China's international credit rating from A3 to BAA1, the government has yet to provide a clear signal that economic reform is to continue.

Last week's crucial fifth plenum of the party's central committee offered no way of raising efficiency and initiative, preferring to reinstate the centralised command controls that produced such stagnation in the 1970s.

At the weekend the government approved measures which will further tighten control over China's foreign trade establishment.

Only those companies with the approval of the Ministry of Foreign Economic Relations and Trade will now be able to import and export.

A directive requires all unqualified companies involved in foreign business to "disband, merge or [be] deprived of their rights to import and export," the official New China news agency said in a hardening of business controls first eased in 1984.

Prime Minister Li Peng admitted on Saturday that economic sanctions imposed by Western nations following the Peking massacre in June had hurt China, and urged a return to closer economic ties.

In a further sign that the tight monetary controls were damaging business, particularly those with foreign joint venture partners, the government has directed Chinese banks to grant Yuan 400m (£68.2m) in special loans to foreign funded enterprises.

Li Lanqing, vice minister at the Ministry of Foreign Economic Relations and Trade, said China's austerity drive meant a capital and materials shortage for some foreign funded businesses.

Cuban troop withdrawal from Angola on track

THE phased withdrawal of Cuban troops from Angola is proceeding according to plan and some 25,510 have left since their pullout began in January, Mr Javier Perez de Cuellar, the UN Secretary General said on Monday, Reuter reports from the UN.

Under accords signed last December by Angola, Cuba and South Africa that also provide for the independence of neighbouring Namibia, some 50,000 Cuban troops are to leave Angola by mid-1991.

Their movement is being monitored by the UN Angola Verification Mission (Unavem), comprising 70 military observers and about 40 civilians. The Cubans had been helping Angola's Marxist government fight South African-backed rebels of the National Union for the Total Independence of Angola (Unita).

In a written report updating Unavem's activities, Perez de Cuellar said net Cuban departures between August 1 and October 31 numbered 9,583, bringing the total since the withdrawal began in January to 25,510.

Under last December's accords, a total of 25,000 Cuban troops were to be withdrawn by November 1. The report also said remaining Cuban forces had been withdrawn north of the 13th parallel by October 31, in keeping with another provision of the agreements.

"In addition to military personnel, tanks, guns, armoured personnel carriers, other military vehicles, engineering equipment, aircraft, rockets and large quantities of bombs, ammunition and other war-like stores belonging to the Cuban forces in Angola continued to be withdrawn and were recorded in detail by Unavem," the report added.

HK asks UK to delay ban on ivory trading

By John Elliott in Hong Kong

HONG KONG has asked the British government to delay an international ban on trading in existing ivory stocks for six to 12 months from the implementation date of next January. It says it needs the time to determine the future of the colony's ivory industry, which has 670 tonnes of raw and carved ivory stocks and employs about 5,000 people.

This is a controversial proposal at a time when international opposition to the ivory trade is growing because of slaughter of elephants in Africa.

Hong Kong's main markets in the US, Europe, and Japan, which together take about 85 per cent of its exports, have agreed to join the ban.

Last month a meeting of the United Nations' Convention on International Trade in Endangered Species banned ivory sales of both new and existing stocks from January 16.

Hong Kong, which traditionally abides by CITES rulings, accepted a general moratorium on trading, but said this should not apply to existing stocks. It argued that international consumer demand would be met by illegal poaching unless existing stocks were used. It also said its own industry would have to close down if there was an immediate ban.

The Hong Kong government's view has been influenced by a demonstration of about 500 carvers and traders who marched through the city centre two weeks ago, complaining about their expected loss of jobs.

The government has asked the UK to consider supporting a fund to buy up existing stocks, but this seems unlikely to be agreed. It has therefore decided to ask the UK to enter a six- to 12-month "reservation" on its behalf with CITES.

This would be of limited value unless the big customers, which take up 85 per cent of Hong Kong's exports, enter their own reservations. The US, Japan and Europe seem extremely unlikely to agree.

Gandhi sees campaign turn sour

Not even at home is the PM pulling them in, writes David Housego

IF THERE was a moment in this Indian general election when Prime Minister Rajiv Gandhi's campaign turned sour, it was during the last few days at Sultanpur.

Sultanpur is a sprawling market town on the fertile northern plains which adjoin Mr Gandhi's Amethi constituency and is the administrative capital of the district. It is thus politically home territory for the Prime Minister and geographically close to the centre of Uttar Pradesh – the Hindi heartland in which the outcome of both the national and state election is decided.

You reach Sultanpur down a broad road from Lucknow that passes through the Amethi constituency and beside the fertiliser, textile and cement plants that rise unexpectedly in this pastoral landscape and are the most striking signs of prime ministerial favour. In fields of millet, sugar and pulses, mango trees cast circles of shade.

In these election days, the villages along the road are festooned with flags and bunting. Three-wheeled motor rickshaws blare out songs and party slogans in a cacophony of sound that transforms an Indian election campaign into a carnival. On roadside houses, signpainters have put up pictures of an outstretched hand – the Congress symbol – and beside it tributes to the leader such as "Whether storm or cyclone, we believe in Rajiv Gandhi".

As the prime minister's heavily-armed cavalcade rolled into the Pant Stadium in Sultanpur on Saturday night, the security guards spilled out and Mr Gandhi climbed onto the rostrum, followed by his Italian-born wife, Sonia, dressed in a sari, there was an almost tangible sense of embarrassment in the air.

For this first return to his

Indian Elections

home territory since the campaign began, the Congress Party had erected crowd control barricades and put up floodlighting in this stadium that can hold 10,000.

When he was there in 1984 before his landslide victory, 20,000 poured into the grounds. This time 1,000 people – a "village crowd" as an intelligence officer unkindly called it – stayed to welcome him.

Mr Gandhi was four hours behind schedule, so that some who had come earlier had already gone. But in the heyday of Mr Gandhi's popularity – or that of his mother – the crowds never tired of waiting.

There was another factor that made this a sad occasion. Mr Gandhi had come to Sultanpur to preach harmony between Hindus and Moslems at a time of spreading communal violence in northern India. In a town where Moslems account for more than 30 per cent of the population, the two communities had a record of good relations.

But two days earlier, word had swept through the town that the foundation stone for the new Hindu temple at nearby Ayodhya had been laid with the tacit support of the government. Hindus celebrated by letting off fireworks. Some Moslems responded by throwing bricks and bombs – one of which killed a Hindu policeman.

Shops were burned and looted. Hindu police, protesting that they were not adequately armed, burned four Congress Party vehicles and announced they were going on hunger strike.

When Mr Gandhi arrived in Sultanpur, the centre of the town was deserted. Police patrolled streets in which shopkeepers had hurriedly pulled down their shutters leaving abandoned bales of cotton and piles of steel rod beside the rubbish and broken bricks.

Protected by his own security guard from a crowd so thin, Mr Gandhi looked an isolated figure as he spoke from the platform. As he bears virtually the whole weight of the Congress campaign on his shoulders, his tight schedule as he flies from one end of India to the other leaves him time for little more than a 20-minute speech.

The message he brings he delivers clearly and without rhetoric. It is that India is a strong country that has achieved more progress in the last five years than ever. Over the next five years, he says, there are plenty of things Congress wants to do – provide more self-government to the villages, spend more on agriculture and speed up the administration of justice.

He then rounds on the opposition, which he links to the communal, secessionist and terrorist movements that threaten the unity of the country. He condemns their proposals for a more federal structure for India – warning that in India's history a weak central government has always been accompanied by national decline.

Congress workers are fearful that they will lose the Sultanpur seat. Across the constituency boundary back in Amethi, Mr Gandhi still looks as though he can hold on. With new roads, irrigation works, electric pylons, and a wireless telephone system – the opposition claims Rs12bn (£460m) has been spent over the last five years – Amethi is the most pampered constituency in the country.

In Sarai Khema, a prosperous looking village in which a new brick road has been laid in recent months, Mr Mata Prasad, a Brahmin, says that "the position of Congress this time is not so good".

But he still claims that 80 per cent of the village will vote for Mr Gandhi. He says that the laying of the foundation stone at Ayodhya has had a favourable impact on all Hindus in the area.

Against Mr Gandhi the opposition have put up Mr Raj Mohan Gandhi, the grandson of the Mahatma, and are sending their top leaders, including Mr V P Singh, to support him.

Writer, journalist and scholar, tall and with a broad open face, Mr Raj Mohan Gandhi is covering up to 20 villages a day by car and on foot. As he enters a village, a boy with a loudspeaker goes ahead like a medieval herald proclaiming: "The grandson of Mahatma Gandhi has come to your village. Give him some time and listen to him." In one village an old man broke down

A 100ft election hoarding of politician N T Rama Rao in one of his film roles as a Hindu God. The ruling Congress party says it violates rules forbidding religious symbols

in tears, clasping Mr Gandhi to him, and saying that he had marched with the Mahatma.

As he tours the villages, Mr Raj Mohan Gandhi makes corruption a central theme of his campaign. At Tikaria he told villagers that millions of rupees had disappeared in the Bofors scandal. "Rajiv Gandhi knows who took the money and he is not saying. That is shameful," he says.

And Mr Raj Mohan Gandhi now says he will win – which is a lot more than he would have dared proclaim when he announced his candidature. More realistically, he probably hopes to make a big dent in the prime minister's majority, thus weakening him considerably.

Bombay business prepares for Congress defeat

By Gita Piramal in Bombay

BOMBAY'S businessmen are preparing for a defeat for Mr Rajiv Gandhi and his Congress Party in the Indian general election to be held in 12 days.

Few – even the most optimistic with close links to Mr Gandhi's party – believe Congress will win more than 220 of the 271 seats needed for a parliamentary majority.

Meanwhile share prices of companies managed by business families, such as the Ambanis, perceived as being close to the Congress Party have fallen. Shares of Reliance Industries and Larsen and Toubro, two Ambani concerns, which were above Rs100 (£4) two weeks ago, have slipped to Rs82.

Most Bombay businessmen would prefer to see Mr Gandhi returned to power because of his industrial policies. His limited liberalisation policy is hailed as responsible for an increased growth rate from 3.5 per cent to a 6.4 per cent in the past few years.

Mr Murli Deora, president of the Bombay regional Congress committee and Congress candidate for a Bombay constituency, says: "Under Rajiv Gandhi, there has been an economic boom despite two major droughts. And business requires political stability – can a collection of disparate elements [the opposition] provide that?"

Mr Viren Shah, president of the Associated Chambers of Commerce and Industry of India (Assocham), and an influential member of the Bharatiya Janata Party (BJP), replies: "Coalitions have been known to succeed, and I do not see why ours cannot."

The prospect of a leading opposition figure, Mr V P Singh of the Janata Dal, becoming prime minister worries many businessmen, though he is not seen as anti-business.

Several businessmen recall with bitter clarity the "raid raj" unleashed by Mr Singh during the two years he was Mr Gandhi's finance minister. He is held responsible for minute investigations into alleged economic offences by leading business families.

Mr Rahul Bajaj, chairman of Indian Airlines and Bajaj Auto, takes a broad view: "The Indian business community would like the present government to be returned to power but the process of liberalisation started by it is irreversible. To this extent, an opposition government – if it can prove to be stable – is unlikely to hurt the growth of the industrial economy and business."

Mr S K Modi, a member of the aggressive Rs11bn Modi group says: "Priorities may shift, but overall policies will not change. For example, the opposition is unlikely to change the current textile policy which favours the powerloom sector. So composite mills like mine will not be affected – for better or worse."

For some businessmen the election outcome is of less significance. Mr C H Choksey, chairman of Asian Paints, says: "It really does not make much difference which party comes to power.

"After all, we are businessmen. We tackled the Congress. We can tackle the Janata Dal. The bottom line is that we have to follow and adapt to government policies."

JVP leader shot dead in Colombo

By Mervyn de Silva in Colombo

MR Rohana Wijeweera, leader of Sri Lanka's ultra nationalist People's Liberation Front (JVP), was shot dead in Colombo yesterday.

According to a statement by the army commander Lt Gen Hamilton Wanasingha he was murdered by a close comrade. The commander said Mr Wijeweera had been arrested near his hideout in a hill country tea plantation and then brought to Colombo. After interrogation, he claimed Mr Wijeweera had led the army to the headquarters of the JVP's military wing in a city suburb where he had been shot by Mr H.B. Herap, a high-ranking JVP member who was then killed in a shoot-out by the army.

Under interrogation Mr Wijeweera apparently revealed the location of Mr Upadissa Gamanayaka, the JVP deputy leader, and three other members of the central committee, who were later arrested.

The loss of the JVP's founder and charismatic leader is certain to be a big setback for the insurgent movement that has killed hundreds of political opponents, ruined the economy and made the island almost ungovernable.

In 1971 Mr Wijeweera launched an insurrection against the newly elected Centre-Left coalition of Mrs Sirimavo Bandaranaike. Some 6,000 rebels were killed before the revolt was crushed. Mr Wijeweera was sentenced to 15 years in jail.

President Junius Jayawardene's right-wing government released him in 1977 and made good use of him against Mrs Bandaranaike and the traditional left. In 1982, Mr Wijeweera entered the contest for the presidency and came third out of five candidates. Mr Wijeweera had promised "rights of self-determination to the Tamil people."

As an underground party, the JVP's ideological outlook sharply changed. Exploiting rising Sinhalese anger at the very successful India-backed Tamil separatist rebellion and the government's evident helplessness, the JVP became the mouthpiece of virulent Sinhala-Buddhist nationalism.

Pakistan's cabinet submits resignation

By Christina Lamb in London

THE PAKISTANI Cabinet yesterday submitted its resignation to Ms Benazir Bhutto, just days after she narrowly survived an opposition motion of no-confidence. The move gives her a free hand to form a new government.

Ms Bhutto has been expected to reshuffle her Cabinet after the opposition assault, which she survived by just 12 votes. General Aslam Beg, the army chief, hinted that he would prefer a more broadly based government, and Ms Bhutto has tried to woo opposition members by offering them ministries. So far three have accepted.

Ms Bhutto's ministers and advisers handed her their resignations at yesterday's cabinet meeting and expressed "full confidence" in her leadership, according to the state-run television.

However, some ministers were known to be unhappy about the use of bribes to win support, and felt their offices had been cheapened by the way ministries and advisorships were given to numerous party loyals.

Ms Bhutto's cabinet was the largest in Pakistan's history, with more than 70 advisers and ministers, and she is expected to introduce some streamlining.

Ms Bhutto took office last December as the first woman prime minister of a Moslem nation after her Pakistan People's Party (PPP) emerged the largest single party in elections following 11 years of military rule.

"I will make changes in the Cabinet at a suitable time," Ms Bhutto said on television.

Sources said the move was in response to criticism that the prime minister, during 11 months in power, has surrounded herself with officials who have alienated members of her own party.

The lower-level appointees offered to resign from posts in such areas as national security, political affairs and finance.

A government source said he expected the prime minister to accept all 12 resignations, but some of the advisers might be re-assigned to other government posts.

Ms Bhutto promised changes in her government following a parliamentary no-confidence motion at the beginning of the month.

It fell just 12 votes short of a majority in the 237-seat National Assembly.

Her mainly right-wing opposition, in addition to some members of her own party, accused her government of ineffectiveness.

Ms Bhutto said she would purge her government of controversial figures.

Moscow in fresh attempt to solve row with Japan

By Ian Rodger in Tokyo

MR ALEKSANDR Yakovlev, a powerful Soviet politburo member who is leading a delegation of Soviet parliamentarians visiting Japan this week, has reportedly made a new proposal for resolving the long-standing territorial dispute between Japan and the USSR over four islands in the southern Kurile chain.

The islands were occupied by the Soviet Union in the closing days of the Second World War, and Japan's determination to reclaim them has prevented the signing of a peace treaty by the two countries and stultified their bilateral relations ever since.

The past two years have seen an intensification of efforts to improve relations. Moscow would like better access to Japanese technology and capital to promote its economic development and Japanese businessmen fear losing out to western competitors in exploiting the potential of the Soviet perestroika policy.

However, both sides find it difficult to give ground. For the Soviets, a spirit of compromise on a territorial issue in the East could have repercussions in the West. And over the years the Japanese government has stirred up public opinion to the point where the Japanese people would not easily accept a compromise.

Mr Yakovlev's visit appears to have come as something of a surprise to Tokyo. The Soviet delegation was invited by its Japanese counterparts in the customary way, and little was expected of it until it became apparent that a highly influential figure would lead it.

Mr Yakovlev yesterday held private meetings with Mr Toshiki Kaifu, the Japanese prime minister, Mr Taro Nakayama, the foreign minister, and Mr Ichiro Ozawa, secretary general of the ruling Liberal Democratic Party.

According to the foreign ministry, nothing new emerged in the meetings with Mr Kaifu and Mr Nakayama. Indeed, Mr Yakovlev apparently maintained the Soviet tactic of not referring to the territorial issue directly, although the two sides set up a working group last December to deal with all issues blocking the signing of a peace treaty.

However, Mr Ozawa said following his meeting that Mr Yakovlev proposed examining a new way to settle the territorial issue. He refused to elaborate on the new Soviet proposal, but said the LDP was prepared to promote the negotiations with Moscow.

Next month, Mr Shintaro Abe, the former foreign minister, is to go to Moscow as a result of a private invitation.

OVERSEAS NEWS

Zambia swallows IMF medicine

Nicholas Woodsworth examines an about turn in economic thinking

In the 25 years since independence, President Kenneth Kaunda has staunchly defended Zambian socialism and his country's centrally planned economy. Rarely has he let a public occasion go by without reminding Zambians that the economic edicts of the state have clearly marked the road to national prosperity.

Recently, however, the president's address to an annual meeting of his party's National Council contained a remarkably different message.

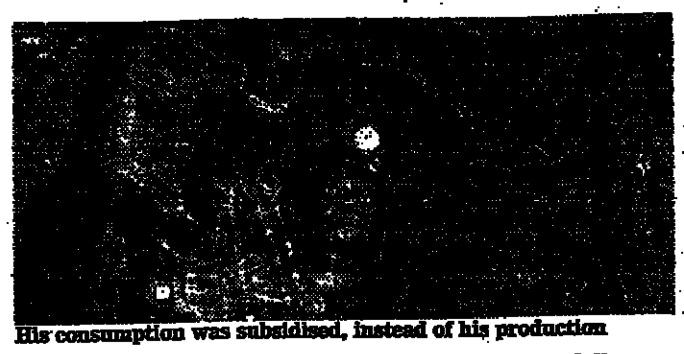
In an unusually frank summary of the Zambian economy, President Kaunda highlighted poor conditions such as "the deterioration in our standards of living, the poor state of our economic infrastructure, poor standards in our health and educational institutions, rising unemployment, rising crime rates, black-marketeering, smuggling, acute shortages of consumer goods, and low productivity, all leading to more poverty."

Nobody likes change for its own sake, he continued, but the party could no longer accept a situation that was leading the country to ruin. "Instead," he said, "we are going to adapt ourselves to the changed economic environment by implementing without fail the restructuring measures which will ensure our cherished goals of prosperity.... there is no doubt that the process of change will bring about material difficulties and pain to all the people of this country...."

Zambia's decision to embark on a structural adjustment programme approved by the IMF in September marks a dramatic turn away from policies that have seen Zambia's economic fortunes decline for the last two decades.

While the choice, given the domestic political risks involved, may be courageous, it is also one that has been taken in the knowledge that there is now little alternative left.

Zambia at independence in 1964 was one of Africa's most promising economies. Its agricultural potential was high, development of its major natural resource, copper, had given it a basic infrastructure, and it had accumulated more than $2bn in foreign exchange reserves.



His consumption was subsidised, instead of his production

As President Kaunda now admits, Zambia in its development pursuits took little advantage of this potential. "We made one gigantic error," he said recently. "We subsidised consumption instead of subsidising production."

Under his leadership Zambia embarked on the creation of a welfare-style state based on publicly owned production, the maintenance of low, fixed consumer prices, and the provision of free social services and subsidised food.

Combined with these policies, the world oil crisis and a sharp fall in copper prices in the mid-1970's resulted in ever-growing distortions in the economy.

Although it could no longer afford it, the government continued to subsidise production and services through a reliance on budget deficits, the printing of more money, and foreign borrowing.

Artificially low exchange rates encouraged the spending of scarce hard currency on consumer imports abroad, rather than on productive investment at home. A lack of foreign exchange led to steep drops in already inefficient parastatal production, critical consumer shortages, and the growth of a vigorous black market.

Rural GDP dropped as low agricultural prices resulted in reduced productivity and urban drift.

Income from copper, which accounts for 90 per cent of hard currency earnings, fell as mismanagement and foreign exchange shortages for machinery and spare parts led to drops in production.

Although Zambia had maintained standby agreements with the IMF since 1976 – by the mid 1980's it was receiving nearly $500m annually in balance of payments support and donor development aid – stiffer conditionality and disagreements over exchange rates and subsidy reductions led in 1987 to the termination of a three-year-old adjustment programme.

Zambia's declaration of a debt repayment moratorium made it ineligible for much new funding, and home-grown economic reforms intended to replace the IMF programme failed to arrest Zambia's serious decline.

Today production in most factories has dropped below 40 per cent of capacity. Government expenditure remains poorly controlled; the 1988 deficit was forecast at ZK2.7bn ($156m), but totalled ZK4.1bn. Subsidies in last year's budget amounted to ZK1.1bn.

Money supply increased by over 60 per cent annually between 1986 and 1988, contributing to an inflationary spiral that this year topped 100 per cent. Despite a rise in copper prices to record levels and a bumper agricultural harvest last year, real GDP growth was negative.

Finally admitting that it could no longer continue on such a course, the government this year began implementation of a series of radical liberalisation measures that will eventually dismantle many of the policies of the last two decades.

Since January the Government has reduced the subsidy on the price of maize meal, the country's food staple, from almost 90 per cent to 26 per cent.

It has decontrolled all other consumer prices, and parastatal companies are now required to operate on a commercial, profit and loss basis.

In July it devalued the local currency, the kwacha, from 10 to 16 to the dollar. Efforts to control inflation and the money supply have included the raising of interest rates to 35 per cent, restrictions on bank lending, and a recent change of currency notes.

Although the Bretton Woods institutions have approved the reform programme, Zambia will not be eligible for their financial support until it has paid off debt arrears of $900m. to the IMF and $150m. to the World Bank. Approval does mean, however, that the IMF and the Bank will establish a programme of "shadow support" in which they will monitor and provide advice to adjustment efforts.

An IMF enhanced structural adjustment facility, on which Zambia could draw up to $800m, may be made available following a consultative donor group meeting next January. Providing programme conditionality is agreed on, donors including the Nordic countries and Holland are likely to pledge funds for the repayment of World Bank arrears, while a bridge loan from commercial banks might be obtained for the settlement of IMF arrears.

While Britain, West Germany and the US have hinted at the writing off some or all of their share of Zambia's $7bn. foreign debt, IMF backing will remain a precondition to the rescheduling of the balance.

Diplomats in Lusaka express cautious optimism that Zambia's reform efforts and renewed foreign financing will, in the short term at least, bring significant improvement; although adjustment measures have added hardships for a population already in distress, there are signs that black market activities, smuggling, and parallel market exchange rates are being reduced.

Concerns remain, however, over the programme's long term success. Economic reformists in the country's sole political party are a small minority; popular opposition to adjustment could weaken their influence and determination to see the programme through.

Ultimately, only the private sector development of badly neglected areas of the economy such as agriculture and tourism can lead to sustained growth. While economic reform can rid the economy of its worst distortions, many observers believe that creating local and foreign investor confidence for such development remains Zambia's greatest challenge.

Rebel South African policeman arrested

A rebel South African policeman who accused his colleagues of brutality in suppressing unrest in coloured townships was arrested and suspended on Monday, Reuter reports from Cape Town.

Lieutenant Gregory Rockman, classified as coloured (mixed-race) under apartheid race laws, was charged with attending an illegal gathering after he tried to lead a small rally against his transfer from Mitchell's Plain near Cape Town.

South African police chief Hennie de Witt said Rockman and another officer arrested in the protest had been suspended.

"The South African Police is a disciplined force and every member is obliged to give effect to lawful instructions," De Witt said in a statement in Pretoria.

Rockman has risked action against him since he told reporters about alleged police brutality in putting down unrest before segregated parliamentary elections in September.

Two riot squad officers were charged on the basis of Rockman's allegations, but were found not guilty of brutality and unnecessary use of force.

Monday's protest in Harmony Square was close to where Rockman alleged white riot squads had acted like "wild dogs" when they broke up anti-apartheid demonstrations.

Civil rights groups say 28 people were killed in the election-eve clashes with police but South African authorities say 19 died in mainly tribal incidents.

Rockman's comments – almost unheard of from a South African policeman – made him a folk hero in Cape Town's mixed-race suburbs, where anti-apartheid protest erupted in August on a scale unprecedented since a nationwide revolt in 1985-86.

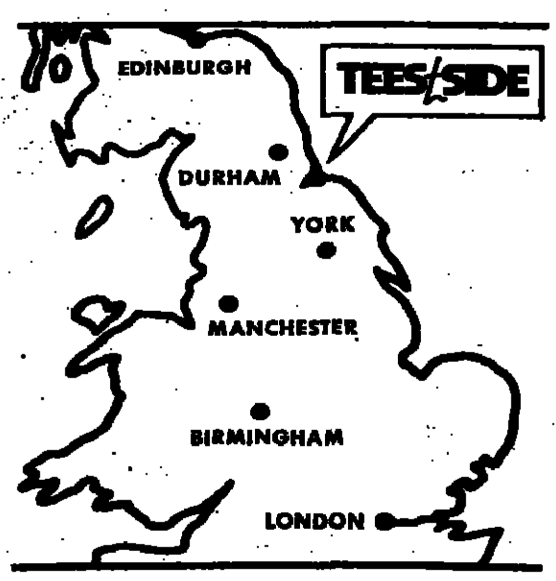
In further defiance of police rules, Rockman formed a trade union for policemen and prison warders last week. Sixteen people, most of them prison wardens, were arrested with Rockman at Monday's protest, at which demonstrators chanted support of the union.

TEES/SIDE

HOME OF THE UK'S MOST EXCITING NEW WATERFRONT DEVELOPMENT

... Hartlepool Renaissance
A Marina and Much More

Houses, shops, restaurants, bars, a prestigious hotel, a business park all situated around Hartlepool's Maritime Heritage, this is Hartlepool Renaissance.
A mile of waterfront, a two hundred acre site complete with infrastructure and services just waiting for the development schemes that will make Hartlepool the most exciting location in the north east of England.
Hartlepool Renaissance is a marina and much more. It is an exciting new waterside environment in which people can live and work. With berths for over 400 boats, public spaces like the Hoe and the Piazza that will give people exciting new recreational and community facilities and sites for businesses which can benefit from a waterfront location.
Teesside Development Corporation through Hartlepool Renaissance is spending £51m on land acquisition, site preparation and provision of infrastructure; repairing harbour and sea walls, installing new lock gates, putting in access and distribution roads, car parks, public spaces and services to the site, and so developers have a fully prepared site to move onto.
Lead developers, Lovell Partnerships, have already started work on their prestigious home development, on Warrior Quay. Other developers are invited to submit their schemes now.
Hartlepool Renaissance is happening now, come and be part of it, contact Duncan Hall, Chief Executive, Teesside Development Corporation, Tees House, Riverside Park, Middlesbrough, Cleveland TS2 1RE. Tel 0642 230636. Fax 0642 230843.



TEES/SIDE

Initiative Talent Ability

AMERICAN NEWS

US delay holds up decision on IMF quotas

By Peter Riddell, US Editor, in Washington

DISCUSSIONS on an increase in International Monetary Fund quotas, or membership subscriptions, have stalled because the US remains uncommitted. This threatens the target for a decision by the end of December.

The US Treasury has not come forward with proposals, mainly as a result of potential problems with Congress. This is not only because of the delicate stage of overall budget talks, but also, more specifically, because of the critical attitude of key Congressmen on this issue.

Nearly three-quarters of the IMF's executive directors back at least a two-thirds increase in quotas although the US, Britain and Saudi Arabia have been reluctant to agree. However, the hope of officials closely involved is that the eventual rise may be between a half and two-thirds.

The size of the overall increase will affect the balance of the reallocation of quotas between members and hence a change in relative voting power in the IMF.

Previous worries, and objections, of the main European countries have now largely disappeared, so that Japan will have the second largest vote, in place of Britain.

However, it is still unclear whether Japan will be equal second with West Germany and whether Britain and France will then have the next largest voting share, as has been proposed. South Korea would also gain a larger voting share.

The IMF's executive board is due to discuss the matter twice this week but there now seems little chance of meeting the target for an agreement by the directors before November 23 as suggested two weeks ago by Mr Michel Camdessus, the fund's managing director.

The official US position is to reaffirm the intention of taking a decision by the end of this year.

Some non-US officials believe the Treasury will declare its hand once the immediate budgetary problems are resolved in the next 10 days. This might still permit a decision by the end of the year.

However, there is considerable apprehension about the possible reaction on Capitol Hill.

The issue of IMF quotas has become tied in with questions of foreign aid and charges that institutions like the IMF are bailing out the commercial banks over Third World debt.

Congressman David Obey, the Democratic chairman of a House appropriations subcommittee, has blocked until next spring a vote authorising the bulk of the US's promised commitment to the World Bank's capital increase because of his concern that the commercial banks are not moving fast enough.

Nicaraguan 'optimism' on talks

MR Miguel d'Escoto, the Nicaraguan Foreign Minister, speaking after two days of fruitless negotiations with the US-backed Contra rebels, said yesterday he was optimistic about renewed talks, Reuter reports from Washington.

"I certainly am always optimistic, he said in an interview on American television. "We have said that we are willing to. . . sit in there until we reach the definitive on demobilisation."

The first two days of talks were held at UN headquarters in New York last week and were moved to Washington yesterday where they were beginning at the headquarters of the Organisation of American States (OAS).

The main issues in the talks are a resumption of a truce and a Dec 5 deadline set by five Central American presidents for the demobilisation of the Contras.

Diplomats say UN Secretary General Javier Perez de Cuellar and OAS Secretary General Joao Baena Soares recently sent a letter to the Latin American leaders recommending that the deadline be flexible.

Poll rebuff for leftist Peruvian guerrillas

By Barbara Durr in Lima

A MASSIVE turnout in Peru's municipal elections has been hailed as an important political defeat for Sendero Luminoso, the left-wing guerrilla group, which called for a boycott of the election.

Despite threats of violence, Peruvians turned out in high numbers for Sunday's nationwide polls. "The big loser has been Sendero," said Mr Raul Gonzalez, an expert on Peru's nine-year-old guerrilla war.

The elections' results were also a rebuff to Sendero. The trend was clearly in favour of conservatives. In Lima, where 35 per cent of the national electorate is concentrated, Mr Ricardo Belmont, the right-wing, independent populist, won with a solid margin. His rejection of traditional political parties was considered a big element in his victory.

Before the elections, not only did the guerrillas blow up power lines and call for armed strikes as usual but they threatened to cut off fingers of those who voted. Traditionally, to avoid voting fraud, officials oblige voters to dip a finger in indelible ink. But last Sunday they were forced to change to more easily washable ink.

Violence, particularly in the Lima area, was expected on election day but it did not occur. The government of Mr Alan Garcia had placed the city under emergency military control on November 1.

In part, Peruvians were willing to risk voting because – given that voting is obligatory – they faced a stiff fine for not casting a ballot. Last week, the National Elections Board, perceiving that a vast number of Peruvians would skip the poll and pay what was then the fine of 27,700 intis, or \$3, raised the fine to 337,750 intis, or \$48 – equivalent to more than one month's minimum pay.

In Lima, Mr Belmont, a charismatic radio and television personality who owns a profitable local television station, defeated Mr Juan Inchaustegui, the candidate of the Democratic Front (Fredemo), the electoral coalition of novelist and presidential candidate, Mr Mario Vargas Llosa.

Buchi sells austerity with sex appeal

Barbara Durr on whether the Chilean presidential candidate has a winning smile

THE phenomenon of the sex-appeal candidate has hit Chile. The unlikely title-bearer is Mr Hernan Buchi, the presidential candidate most identified with General Augusto Pinochet, but the two could not be more different.

Mr Buchi, a tall, wiry man with long blond hair and a permanently dishevelled look, has the allure of a rock star. Women scream and tear at his clothes when he appears at campaign events. And more men seem to have taken up jogging, Mr Buchi's favourite sport.

This appears to be due less to enthralment with his political message than to highly skilful marketing of his personality. During a recent campaign swing through the central south region of Maule, the biggest applause was not when he spoke but when he just smiled and waved.

Since the appearance last January of a book, The Buchi Phenomenon, which virtually oozed with hero-worship, the 40-year-old ex-Finance Minister has been larger than life. The book was followed by a prodigious publicity campaign in favour of his candidacy financed largely by private business.

Mr Buchi initially rejected standing for the presidency – saying in May he had no political vocation and could not forsake his privacy – but changed his mind in July. He is waging his campaign as a kind of anti-candidate.

Mr Buchi certainly cuts an unusual figure for politics. He is extremely taciturn and introverted. He can manage barely a few words when shaking hands with factory workers. A sports fanatic, he runs 15km a day while maintaining an exhausting campaign pace. Not well endowed with verbal ability, he is, however, renowned for his intelligence. Although trained as a mining engineer, and with a masters degree from Columbia University of New York in business administration, he has shown remarkable acumen in economic policy and is well versed in astronomy.

Despite Mr Buchi's considerable attributes, he is trailing in the opinion polls. In the latest national survey, he scored just 28.7 per cent against 52.5 per cent for Mr Patricio Aylwin, the Christian Democrat who is the unity candidate of the centre-left 17-party opposition coalition. The gap seems virtually impossible to close by the December 14 election.

The main reason for his lack of success is his close relation-

Buchi: rock star allure

ship to Gen Pinochet. Mr Buchi spent 14 years in various posts of the military regime and is vulnerable to charges that he said nothing while massive human rights violations took place.

He is also handicapped by a lack of political dexterity. His speeches are flat, unadorned by rhetoric or humour. None the less, an increasing aggressiveness marks his campaign as he tries to use the tactic of political death by association – employed so successfully by the opposition against him – on his rival. He is hammering away at Mr Aylwin for his alliance with socialist and other parties that took part in the government of former President Salvador Allende, who was overthrown in 1973 by Gen Pinochet.

Mr Buchi's aim is to blacken Mr Aylwin for accepting the support of the Chilean Communist Party, which has not renounced violence. Although the Communists are not part of the 17-party coalition, they are backing Mr Aylwin.

It remains unclear what effect this strategy will have. But if last year's plebiscite campaign by the government for eight more years of rule by Gen Pinochet – which used the same line of attack – is an example, this will not be enough to turn the electoral table. But it could narrow Mr Aylwin's victory margin, a secondary aim of the right wing.

Mr Buchi's strong point is his success as Finance Minister from 1985 until April this year, during which time the country enjoyed economic progress unparalleled in Latin America. His campaign speeches are full of warnings that the opposition will lead Chile down the disastrous economic path of Mr Alan Garcia's Peru and Mr Raúl Alfonsín's Argentina.

Yet, while these regional comparisons cut some ice with the sophisticated middle class voter, the ordinary Chilean is still struggling to put bread on his table. Workers at a leather factory in the provincial capital of Talca, in the Maule region, which Mr Buchi visited, grumbled about wages. They are earning less than \$100 a month. According to a recently published study by the Chilean National Institute of Statistics, 6.23m Chileans – half the population – are in poverty. The monthly income per household at the time of the study in November 1988 was pesos 41,470 (£97) while the World Health Organisation and the UN Economic Commission for Latin America and the Caribbean have established that the minimum need for basic necessities was pesos 44,320 per month. The economy was largely why a majority of Chileans voted against Gen Pinochet in last year's plebiscite.

Mr Buchi says he is aware that Chile still has many unattended social needs and he is promising wage increases and more social spending. But after heading the country's austerity programme he has difficulty presenting himself as an open-fisted social spender.

Mr Buchi may have the right economic ideas but they are hard to sell and, despite his sex appeal, he is not a skilful salesman.

Brazilians braced for 'dry day' as election nears

By Ivo Dawnay in Rio de Janeiro

CAMPAIGNING in Brazil's presidential elections came to an abrupt halt yesterday as hundreds of thousands of party followers trickled home from mass rallies held across the country.

From midnight, electoral law prohibited any further vote-hunting by the 22 candidates or their supporters before tomorrow's crucial first round of voting. At the same witching hour, tonight, the dreaded 24-hour Lei Seca – or Dry Law – will be enforced, protecting the sober duties of democracy from too close an intimacy with alcohol.

It is perhaps a small price for the country's 82m electors to pay for the first opportunity to vote for a president since 1960.

Despite a slow start to the six-month campaign, its tumultuous half-time intermission suggests that cynicism about politicians has finally given way to enthusiasm.

After 21 years of military dictatorship and imposed presidents, citizens will now at least be able to choose the devils they know. On Sunday, candidates retreated to their home turf for their final rallies.

Mr Fernando Collor de Mello, the centre-right front-runner, was in Maceio, capital of the tiny state of Alagoas where 45,000 turned out.

Mr Leonel Brizola, the second placed veteran socialist, returned to the poor satellite towns of Rio de Janeiro to salute the faithful.

While Mr Mario Covas, a social democrat climbing in the polls, had the biggest crowd with 100,000 in São Paulo's port of Santos.

All of them have attracted bigger demonstrations. On Saturday Mr Lums Inacio Lula da Silva, another socialist hard on Mr Brizola's heels, gathered an estimated 150,000 in Rio's city centre although it is the redoubt of his left-wing rival.

Every poll now says that the battle to reach the December 17 run-off between the two most-voted candidates will be between Mr Collor and one of these two.

So fierce has the battle for the left vote been, that the poll leader was all but forgotten when Lula and Brizola – as they are both familiarly known – went at each others throats in the final television debate on Sunday night.

With the kind of fraternal language rarely seen outside Britain's Labour Party, Lula has suggested that his rival's version of socialism is closely akin to that of Mussolini.

Not to be outdone, Brizola has claimed that the passion of the "little candidate" is inspired by caninha Brazil's fierce sugar-cane firewater. Yesterday, a gossip columnist reported that after months on the road, Lula had told friends he was heading home – "to enjoy my caninhas in peace."

● Brazil's central bank hopes to reach some agreement with the International Monetary Fund (IMF) by the end of March next year, Mr Waldir Bucchi the President of the Banco Central do Brasil said.

Mr Fernando Collor de Mello, the centre-right front-runner, visited Macelo, capital of the tiny Alagoas state, before the official halt to campaigning

Israel brings in new labelling for Palestinian goods

By Hugh Carnegy and Efrat Shvily in Jerusalem

ISRAEL is introducing new labelling requirements for goods imported from the occupied territories, in the latest round of the economic tussle between the two sides that underlies the 23-month-old Palestinian uprising, or *intifada*.

The Ministry of Industry and Trade and the Civil Administration in the territories has issued orders to manufacturers in the West Bank and Gaza Strip to include details of product origin, maker and ingredients in Arabic as well as Hebrew.

Mr Eliyahu Attiyeh, the industry ministry's senior official dealing with the West Bank and Gaza, said the requirement to add Arabic was to enable Israeli consumers to identify immediately that the product came from the territories.

He insisted the purpose was simply to help the consumer distinguish between products, not to encourage a boycott.

However, the move follows complaints by the Israeli Histadrut trade union federation and the Manufacturers' Association that cheap Palestinian goods have been making inroads into Israeli markets while a Palestinian boycott of Israeli products has led to a significant drop in exports to the territories.

Israeli exports to the West Bank and Gaza have dropped in value by up to half from the level of \$1.1bn (£687m) in the year before the *intifada* started. "This process could damage the Israeli economy, especially in the food sector," said Mr Attiyeh.

But Mr Hisham Awatani, a Palestinian economist who follows the trade issue, said the territories still showed a trade deficit with Israel of not less than \$200m a year.

Palestinian producers had been quite successful in substituting Israeli goods, especially in areas such as food, cigarettes, soft drinks, clothing and pharmaceuticals.

The Israeli Manufacturers' Association says food exports to the territories have virtually dried up.

Mr Awatani said progress in extending Palestinian sales in Israel has been limited. Despite advantages such as cheaper labour costs, the lack of subsidies and incentives available to Israeli competitors gave Israel the competitive advantage.

The main Palestinian products selling well in Israel were shoes and clothing and agricultural machinery.

Mr Awatani called the new labelling requirement part of the "economic guerrilla war" between the two sides.

Jaguar in Taiwan venture

By Kevin Done, Motor Industry Correspondent

JAGUAR, the UK luxury car maker, has set up a joint venture company in Taiwan to import, sell and service Jaguar and Daimler cars.

Jaguar, subject of an agreed £1.6bn takeover bid by Ford of the US, aims to treble its Taiwan sales by 1993. The UK car maker is taking a 10 per cent stake in Jaguar Cars Taiwan, to be formed with Wearne Brothers of Singapore, and Forall Investments of Taiwan.

Jaguar's Taiwan sales totalled 322 last year, excluding grey market imports. It aims to boost sales to over 1,000 a year by 1993. Total Jaguar sales last year were 50,603.

Wearne Brothers is to take a 51 per cent stake in the Taiwan venture. Malayan Motors, a Wearne subsidiary, distributes Jaguar cars in Malaysia and Singapore. Forall will hold a 39 per cent stake in Jaguar Cars Taiwan, to be based in Taipei. Mr Tony Hill, formerly Jaguar's Far Eastern regional manager, has been named chief executive of the venture.

"Taiwan has the potential to develop into a major market for Jaguar cars," said Mr Nigel Heslop, Jaguar's overseas sales director. Jaguar wants a strong Far East presence to cut its US market dependence. It hopes to appoint an importer/distributor in South Korea soon.

The other 'Twelve' send a message to the world

Chris Sherwell intercepts the signals from the first meeting of the Asia-Pacific Economic Co-operation

IN MODERN economic and trade diplomacy, signals have become at least as important as statements. But there was no mistaking the message emerging from the inaugural ministerial conference in Canberra last week of 12 Asia-Pacific countries.

It is that a new and potent regional force has emerged to demand a successful conclusion to the Uruguay Round of multilateral trade talks on agricultural subsidies, services, intellectual property and industrial tariffs.

Just as significant was the intended target of the message. In spite of impressions, it was not the European Community – not specifically anyway. In the words of one key Australian official: "It was a message to the world – and to ourselves."

Attending the Asia-Pacific Economic Co-operation (Apec) conference were more than two dozen foreign and trade ministers from the US and Canada, Japan and South Korea, Australia and New Zealand, and the six countries of the Association of South East Asian Nations (Asean) – Indonesia, Malaysia, Thailand, the Philippines, Singapore and Brunei.

Not only did this diverse group meet as planned – itself regarded as an achievement. They also agreed to meet again, and regularly: in Singapore next year, in South Korea in 1991 and in an Asean capital on every alternate occasion.

Rather than set up any institution or bureaucracy, they agreed officials would start meeting in January to discuss specific co-operative projects and to tackle the delicate question of membership for China, Taiwan and Hong Kong – without which the group would lack credibility.

All this was much as expected from a group anxious to move slowly and by consensus. Even the fears of Asean, and in particular Indonesia, were substantially allayed. Less expected was the agreed ministerial statement at the conclusion, with its specific declarations on regional and international trade liberalisation.

Thanks to that, the result is a grouping which not only has "momentum" but commitment. The Apec participants had repeatedly made it clear they had no intention of forming a trade bloc, but suspicions persisted about its potential to become one. The Canberra meeting has helped dispel those, and forthcoming gatherings should reinforce the trend.

This week in Tokyo, for example, there is the "quadrilateral" trade meeting of Japan, Canada, the US and EC. That will be followed by informal talks among trade ministers from the 27 contracting parties involved in the Uruguay Round. It would be surprising if the Canberra message did not get through to them.

Officials from the 12 Apec countries in Geneva are also to start holding regular meetings to promote a successful outcome to the Uruguay Round. Then in September 1990 trade ministers from the 12 will gather formally in Geneva to consider how to unblock any obstacles, and they will meet again in Brussels in December before the concluding session.

What this means in practical terms only time will tell. But as far as the Uruguay Round is concerned, the Apec meeting is important, especially after the tabling of Washington's trade reform proposals in Geneva covering agriculture and services. Taken together, these moves indicate a narrowing in the range of alliances at the talks – that Apec will be a significant lever for progress.

Those who attended the Canberra gathering are nevertheless adamant that its outcome is not directed at the EC. "The only message to Europe," one official said after the meeting, "is that we want more than a minimalist result from the Uruguay Round. It will help the Europeans be more ambitious – which we believe is in their interests too."

The Apec conference also contained lessons for the 12 participants themselves. For one thing it was a sharp reminder of the sensibilities of the Asean grouping and the differences within it. Asean wanted, and won, recognition of its efforts to promote Asia-Pacific economic co-operation, and these will probably form the basis of any future institutional progress.

The meeting was also a reminder that the 12 participants' own trade liberalisation record leaves much to be desired. Countries such as the US and Japan in agriculture, Malaysia, Indonesia and Australia in industrial protection, and others in such areas as intellectual property and services, all have blemishes. Given that two-thirds of these countries' trade is with each other, this is a key issue.

On the other hand, no one needed to be told that the region is dominated by the world's two largest economies – the US and Japan. What is interesting, the meeting did not reflect this dominance, and it did not become an issue. It was as though Washington and Tokyo decided beforehand to follow rather than lead, offering only substantive and concrete proposals.

On the future membership of China, Taiwan and Hong Kong, the issue is less the diplomatic "three Chinas" problem – the precedents of Gatt and the Asian Development Bank show this can be accommodated – but rather Peking's commitment, in the wake of the Tiananmen Square massacre, to an open economy enmeshed in the region.

The same thorny question – and the full consensus of the existing 12 – will dictate the membership of the Soviet Union and the Indo-Chinese countries, not to mention the Pacific island states and the Latin Americans.

But that is for the future. Every long journey requires a first step, and it is tempting to believe something historic happened in Canberra. Mr James Baker, the US Secretary of State, said he would not use that word – yet. But he added: "It has the potential to qualify."

Bid for unified Gatt strategy

By Robert Thomson in Hakone, Japan

THE open-necked shirts and sports jackets that were *de rigeur* for an "informal" conference of EC, US, Japanese and Canadian Trade Ministers in the Japanese resort town of Hakone yesterday disguised their intense attempts to seek a unified strategy on the General Agreement on Tariffs and Trade.

Japanese officials have been surprised by the bluntness of Mrs Carla Hills, US Trade Representative, who charmed Japanese Ministers during a recent visit here, but in pre-conference meetings showed annoyance with Japanese officials over lack of progress in the Structural Impediments Initiative talks (SII) designed to reduce the country's \$50bn (£31bn) bilateral deficit.

Meanwhile, EC officials yesterday criticised the US reliance on bilateral measures such as SII and the punitive Super 301 trade provision.

Mr Frans Andriessen, Vice President of the European Commission, said the bilateral movement in trade was not helpful and "we should try to bring about a multilateral system".

The emphasis of the meetings yesterday was on a common approach to completing the Uruguay Round of Gatt negotiations by December next year.

Japanese officials reckoned that progress was made in clarifying the use of anti-dumping regulations and easing concern on disputes over the country of origin of manufactured goods.

Delegates yesterday discussed Trade Related Aspects of Intellectual Property Rights and Trade Related Investment Measures (TRIMs), on which Japan argues there should be no local content restrictions on investment or any other trade-related obstacles.

Mr Andriessen said the EC has no local content prohibitions in its policy on TRIMs, and wants a flexible investment system, but understands the concern of less-developed countries about foreign investment.

A US representative said the three-day meeting, which began on Sunday night, will be important in devising ways of "moving Gatt discussions forward". The present Uruguay Round had "a quarter of its time left, with more than a quarter of the work to do".

Apart from intellectual property rights, the delegates are discussing trade in services, subsidies, and dispute settlement, and hope to reach common conclusions in advance of broader minister-level talks under Gatt.

Before coming to the resort, Mrs Hills showed US frustration with progress in the SII talks, the second round of which ended last week. Japan trade officials said they could not fully understand the change in the Trade Representative's mood, but attributed it to Washington's dissatisfaction with the outcome of last week's talks.

Mrs Hills told Mr Hikaru Matsunaga, Japan's Trade Minister, that Japan should be more active towards the SII programme, and warned that tension between the two countries could harm progress in Gatt negotiations.

Breakthrough hopes discounted

By William Dullforce in Geneva

EXPECTATIONS THAT important breakthroughs may be achieved at informal meetings of trade ministers in Japan this week are being heavily discounted by negotiators in the thick of the Uruguay Round talks in Geneva.

Although the four-year multilateral trade-liberalising exercise has only 14 months left before its deadline, trade tensions, notably that over farm trade reform between the US and the European Community, are currently too sharp and central issues not yet ripe enough for decision, officials say.

The most they hope for is an understanding that could resolve the stalemate between the US and most other nations in the group negotiating reductions in tariffs.

This, in turn, could free the log-jam blocking progress towards the removal of other restrictions on exporters' access to markets.

This week's informal talks started yesterday at Hakone, Japan, between Mrs Carla Hills, US Trade Representative,

The best hope is for an understanding to end the impasse between the US and most nations in the group

Mr Frans Andriessen, the EC Commissioner for External Affairs, Mr John Crosbie, Canadian Minister for External Trade, and Mr Hikaru Matsunaga, Japan's International Trade Minister.

They will join in Tokyo on Thursday and Friday ministers from 22 other countries and Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, to review progress in the Uruguay Round talks, and possibly to inject some political impetus.

For this larger gathering the Japanese have grouped the 15 items under discussion in Geneva into a three-part agenda covering:

- Improved market access, which requires tariff cuts, the reduction of non-tariff barriers to trade and the elimination of the so-called grey area measures, such as voluntary restraint agreements.

Success could be recorded here, if the US agreed to discuss seriously the integration into Gatt of the textiles and clothing trade;

- Rule-making, which aims at establishing more predictable and equitable rules in Gatt for trade competition.

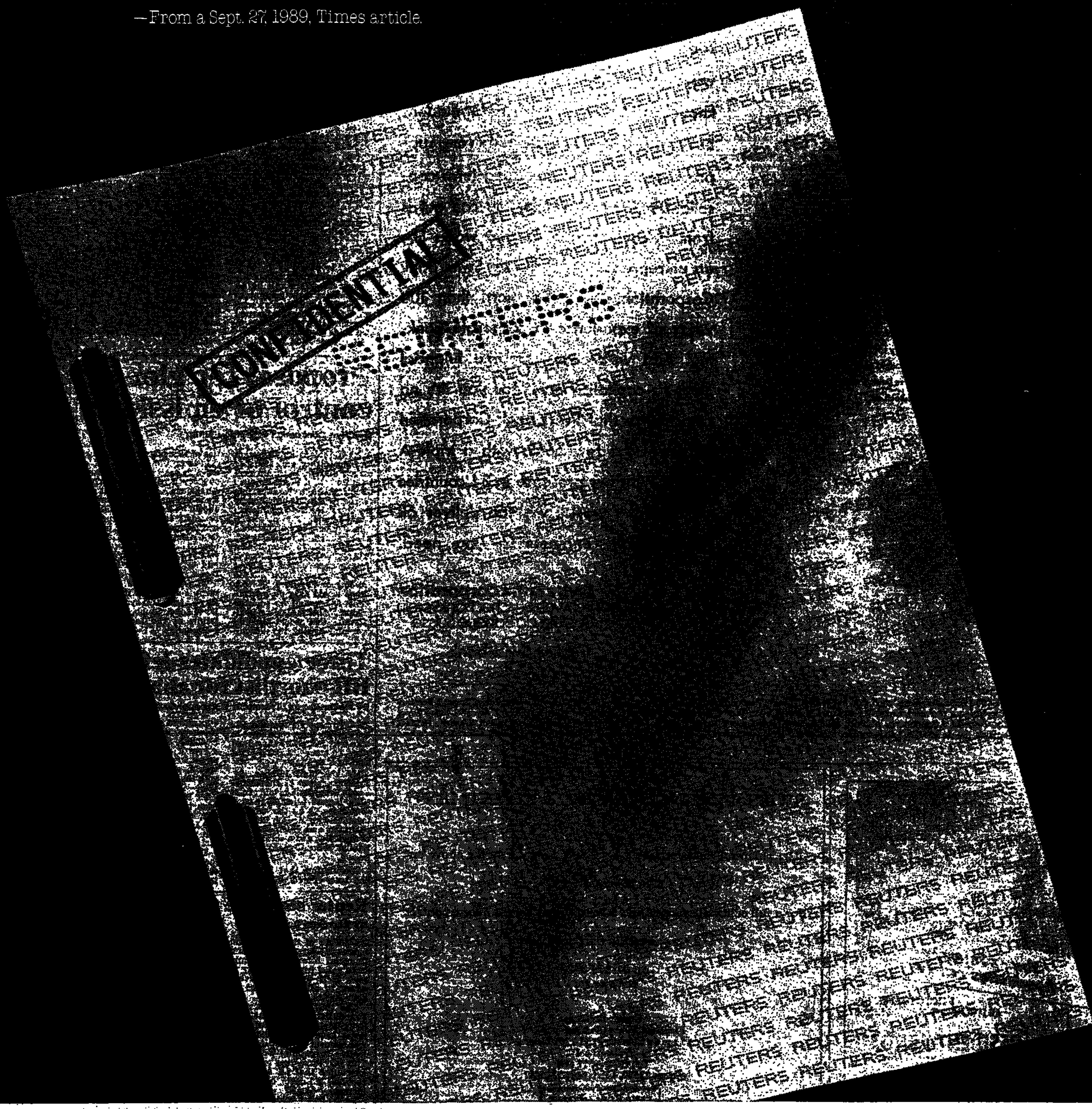
Targetted here are the use of protective subsidies, safeguard measures for temporary import protection and currently fashionable anti-dumping actions.

- The new issues – trade in services, protection of intellectual property rights and foreign direct investment – which the big trading powers want to be made subject to Gatt rules.

Japanese officials say their invitation will have fulfilled its aim, if the talks sketch out for the ministers the shapes of the compromises they will finally have to make, to reach a trade-liberalising package in the Uruguay Round.

"Knight-Ridder was first 47% of the time, AP-Dow Jones 27% and Reuters 26%."

—From a Sept. 27, 1989, Times article.



The prestigious Times of London has disclosed a confidential Reuters report comparing the performance of Reuters news with its two main competitors, Knight-Ridder and Dow Jones.

Every day, according to the Times, Reuters checks on how its doing. Increasingly, the news is not reassuring.

According to the Times, the confidential Reuters document disclosed that fast-growing Knight-Ridder has emerged as more than a major competitive threat. Out of 309 global timings of financial and economic news, Reuters said it lead on 125, Knight-Ridder was ahead on 99, roughly one-third of all timings. Dow Jones led on 85.

But in the United States, the Times revealed, *Knight-Ridder was the fastest 47 percent of the time.* Dow Jones only 27 percent. Reuters last with 26 percent.

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KNIGHT-RIDDER

Knight-Ridder, which recorded its thirteenth year of earnings per share growth in 1988, is a worldwide communications company with business information services, cable systems and 29 daily newspapers.

UK NEWS

New umbrella body to oversee power industry

By Maurice Samuelson

A NEW national umbrella body for the electricity industry is being created to replace the Electricity Council when the industry is privatised next spring.

To be called the Electricity Association, it will be established by the 18 electricity companies of England, Scotland and Wales when they are vested.

It will be responsible for central services, such as industrial relations, research and training, but not for marketing electricity, which will be in the hands of the suppliers and distributors themselves.

Modelled on electricity umbrella bodies in the US and West Germany, the Association will have no statutory basis but will be owned by its members, the electricity suppliers.

However, there will be no independent new generators among the Association's founders. Once they become licensed suppliers, they will be free to join it - as associate members.

The Association will be the forum for settling national wage rates. However, its member companies, rather than the Association itself, will sign these agreements and the members will be able to opt out of collective bargaining in favour of company level deals by giving a year's notice.

As well as industrial relations, the new body will be responsible for a wide range of research activities, economic and statistical monitoring, parliamentary activity and liaison with overseas electricity industries. Its assets will include the research laboratories at Capenhurst and Leatherhead and the electricity training centre at Horsely Towers, Surrey.

Its annual expenditure is expected to be about only £17m a year compared with the Council's £85m a year budget. This is because it will not conduct central marketing of electricity, on which the Council has been spending about £35m, and because its research and training arms aim to become self-financing.

Proposal for global control of emissions

By Clive Cookson, Technology Editor

A NEW international system for controlling emissions of carbon dioxide, the main contributor to the greenhouse effect, through "marketable carbon permits" is proposed by the Royal Institute of International Affairs.

In a report to be published next month, the institute's Energy and Environmental Programme says that attempts to negotiate effective target reductions for carbon dioxide are doomed to failure. "Negotiations would drag on interminably and would be counter-productive because of the tactical value they would place on over-emphasising the difficulties of reducing emissions."

Instead, the institute advocates a system giving every country a permit for carbon dioxide emissions which it can trade internationally. "Permits should be leasable but not permanently traded; the currency of exchange should be limited to development and pollution abatement programmes and related transfers of technology and technical expertise," the report says.

"If there is to be an agreement it must have the flexibility of a tradeable system," says Dr Michael Grubb, a research fellow at the institute and main author of the report.

Three candidates left on BR shortlist for chairman

By Kevin Brown, Transport Correspondent

THE Transport Department is considering three candidates to take over from Sir Robert Reid when he retires as British Rail chairman in March.

Mr Desmond Pitcher, 54, chief executive of the Littlewoods Organisation, one of the UK's largest privately owned companies, is on the shortlist together with Mr Bob Reid, 55, chairman and chief executive of Shell UK, and a third industrialist whose name is not known.

Speculation that Mr Reid had been offered the job was encouraged over the weekend. However, Mr Reid's chances of assuming the BR chairmanship appeared to have been dented yesterday when Shell said he would, after all, be staying with the company for at least a year.

Mr Pitcher, whose name had been kept secret until yesterday, is group chief executive of the Littlewoods Organisation, the mail order, chain stores and pools group.

The corporation is still a long-term candidate for privatisation if the Conservatives win the next general election.

Reuter staff vote to call strikes

By Raymond Snoddy

MEMBERS of the three main unions at Reuter, the news and financial information group, have voted overwhelmingly to give their union leadership power to call a series of 24-hour strikes.

The the National Union of Journalists, the National Graphical Association and Sogat have been united by a management move against collective bargaining pay rises. This year Reuter has refused to guarantee that all staff will receive a cost of living increase.

In the ballot held under the auspices of the Electoral Reform Society there was a 77 per cent vote in favour of 24-hour strikes. The NUJ voted 82 per cent in favour.

Union leaders regard it as strong message to the management as talks continue. The unions want a basic pay floor applying to all staff, but are not against further merit rises.

● Journalists at the national Daily Mail newspaper will meet today to consider holding a ballot on industrial action to oppose plans by Associated Newspapers to end collective bargaining and bring in individual contracts and performance-related pay.

Insurance sector opens branches for 1992

By Patrick Cockburn

JUST over half of UK insurance organisations have set up, or will be setting up, new branches in Europe to take advantage of the single European market.

The finding comes from a a survey conducted by Market Opinion and Research International (MORI) for McKenna & Co, the international solicitors.

The survey of brokers, Lloyd's underwriters, insurance companies and loss adjusters showed that 39 per cent had set up or were in the process of setting up branches in Spain, 36 per cent in Italy and 33 per cent in France. Not surprisingly these countries, togethor with Germany, were seen as providing the greatest opportunities for new business.

Mr Tim Burton, a partner in McKenna & Co based in Lloyd's, said yesterday that the survey underlined the interest of insurance organisations in southern Europe.

Elsewhere in Europe Mr Burton said: "people feel they ought to be doing something but are not quite sure what." Overall the survey confirms that 1992 has produced a quantum leap in the attention devoted to Europe by UK insurance organisations, though this may not be matched by the commercial opportunities.

Respondents overwhelmingly saw competitive threats as coming from West Germany (81 per cent) and France (64 per cent).

About a third of those surveyed, which McKenna & Co say includes most of the key UK insurance organisations, do not have any presence in the nine community European countries asked about. Those that do are most likely to have a presence in France (58 per cent), Italy (56 per cent) and Belgium 47 per cent.

UK aid urged for family planning

By Christina Lamb

MRS Lynda Chalker, the Overseas Development Minister, yesterday called for more help for women in developing countries to tackle family planning to slow the population explosion.

"High population gowth and poverty go hand in hand," she told the Population Concern conference in Harrogate, in northern England.

More stress should be placed on population related programmes, said Mrs Chalker.

Since 1950 world population has doubled and in 1987 it passed 5bn. Mrs Chalker warned of "overloading the environment", explaining "more people demand more fuel and more food". If population growth in poorer countries was not brought under control, increased deforestation and the burning of forest fuels could accelerate global warming causing sea levels to rise to levels threatening lowlying areas including those in Britain.

Much of Britain's current aid budget of over £1500m is indirectly aimed at slowing population growth. Mrs Chalker said Britain was putting increasing emphasis on programmes to improve health of women, particularly through family planning, but more must be done.

"We have to help these women secure their right to effective family planning services. Women are also more likely to use effective methods of contraception if their status is improved. Improving women's access to education is a key factor."

Retailers hit as high interest rates take hold

Sales record surprise fall

By Patrick Harverson and Maggie Urry

AN UNEXPECTED fall in retail sales last month provided fresh evidence yesterday that high interest rates continue to depress consumer spending in Britain's high streets.

The Central Statistical Office (CSO) said that provisional seasonally adjusted retail sales volume last month was 0.7 per cent lower than in September. This compared with the 0.5 per cent rise in September and was the largest monthly fall in retail sales since the 2.3 per cent decline recorded in June.

Although the City of London had been expecting an increase of about about 0.5 per cent, there was little reaction from financial markets. Analysts said the attention of the markets was firmly fixed on the Government's economic forecast – known as the Autumn Statement – expected tomorrow.

On an annual basis, retail sales in October were up 0.3 per cent on the same month a year ago, compared with the 6.5 per cent annual growth achieved last year. The three-monthly data showed that between August and October retail sales rose by 1.3 per cent, the lowest annual growth rate since June 1982.

The figures suggested that the Government's policy of using high interest rates to subdue consumer demand, and thus ease inflationary pressures in the economy, is working. The retail sales data followed yesterday's Confederation of British Industry/Financial Times distributive trades survey showing a fall in shop sales last month and low expectations among retailers of future sales.

This picture of a sharp slowdown in spending is likely to be reinforced when Mr John Major, the Chancellor, delivers the Autumn Statement. He is expected to forecast between 1 per cent and 1.5 per cent growth in consumer spending next year.

Mr Major's statement is expected to underline the Government's determination to push inflation lower.

Other figures from the CSO yesterday showed that industry's raw material and fuel prices rose a modest 0.2 per cent between September and October but were 6.3 per cent higher than in October last year. Factory gate prices for manufactured products rose 0.4 per cent last month and were 4.9 per cent higher than 12 months earlier.

The fall in retail sales last month was shared throughout the retail sector, said the CSO. The figures are likely to reinforce retailers' fears that sales this Christmas will be disappointing.

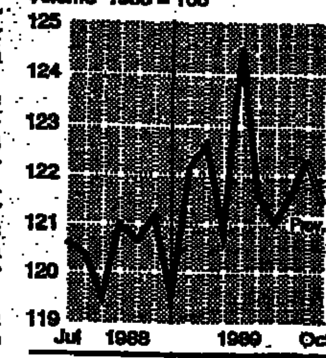
The impact of last month's rises in mortgage rates on consumer spending were not included in yesterday's figures; they will feed through into November's data.

However, London analysts said the psychological impact of higher mortgage costs was likely to have already forced consumers to restrict their spending.

The decline in retail sales last month did not come as a surprise to Britain's retailers. Mr Gerald Ratner, head of the Ratners jewellery group, said last week's figures for the group were not good. The rate of sales increases the company had been seeing had halved.

UK retail sales

Volume 1985=100



Capital developers face depth controls

By Paul Cheeseright, Property Correspondent

PROPERTY developers, active in the key archaeological areas of the City of London, should be subject to controls on how far down into the earth they can go with their new buildings, according to the Museum of London.

There should be a depths policy, the underground counterpart of the overground policy which governs the height of buildings in relation to St Paul's Cathedral.

"Constraint maps indicating areas of prime archaeological deposits which are to be safeguarded should be drawn up and made available for consultation by developers in the future," said Mr John Maloney, principal excavations officer at the department of urban archaeology, speaking yesterday at the Museum's annual archaeology lecture.

The Museum has become increasingly anxious about the fate of the City's Roman ruins, 75 per cent of which have been destroyed. It is hoping its idea about a depths policy will be adopted by the City as an environmental control and is having talks with City planners to that effect.

Bombers on the Irish line

Kieran Cooke on the Belfast-Dublin railway link

THE 6pm Belfast to Dublin train on Monday night rolled out of Belfast station right on time. Passengers sat back and relaxed for the 112-mile journey hoping to arrive in Dublin by 8pm.

But once again, the bombers intervened. Since last December, the rail service has been disrupted up to 60 times by bombings and warnings, part of what is believed to be an escalating IRA campaign to close down the line.

At the border town of Newry, passengers had to get off the train and on to a bus to go over the border. Worse still, on a wet and windy Tuesday night, the IRA had also decided to block the main border road, with a supposedly booby trapped truck.

Railway officials are concerned not only about the growing frequency of the bombs and hoaxes. There are signs that the campaign is widening to disruptions on sections of the rail link well north and south of the border.

There are many who feel it is only a matter of time before disruption turns into disaster.

The Belfast-Dublin rail link is operated jointly by Iarnrod Eireann, the Irish rail service, and Northern Ireland Railways (NIR). The bombing campaign has caused a 25 per cent decline in passenger numbers using the line, while first class passenger numbers have dropped by as much as 75 per cent.

After nearly a year's disruption, it is still unclear exactly why the IRA or others have targetted the rail link. It has been suggested that the IRA feels that closure of the line could have propaganda value.

Others claim it is part of a mafia-style campaign to take freight business away from the railway in favour of illegal hauliers who operate various rackets in the border region.

The rail companies on both sides of the border have pledged to keep the line running. Plans for a £50m investment programme are well advanced, with the aim of upgrading existing track in coming years to carry 100 mph trains.

Mr Ken Thompson, spokesman for NIR, said: "In normal circumstances the future for the rail link would look very bright." However, as train passengers know all too well, these are not normal times.

Unions call fresh engineering strike

By Jimmy Burns, Labour Staff

LEADERS of the Confederation of Shipbuilding and Engineering Unions yesterday called a strike of more than 1,000 workers at a British Aerospace plant at Kingston, London from tomorrow night in their national campaign for a 35-hour working week.

But they held back from calling a strike at at Smith's Industries in Cheltenham, where workers have also been balloted on industrial action. Management and unions there are believed to be close to an hours reduction deal similar to that reached at NEI-Parsons, the Tyneside engineering company.

The NEI-Parsons deal will cut the working week of most engineering workers in stages from the present 39 hours, starting with a one-hour cut next January 1.

Mr Bill Jordan, the Amalgamated Engineering Union president, said that the deal "certainly sets out parameters which would be acceptable to us" in other companies.

Brussels to investigate cattle feed 'poisoning'

By Ralph Atkins

EUROPEAN Commission officials have been asked to investigate the possible criminal contamination of cattle feed earlier this month, Mr John Gummer, agriculture minister, said yesterday.

Replying to questions in Parliament from Mr David Clark, Labour's agriculture spokesman, Mr Gummer said he did not believe lead discovered in the feed was just "a silly accident".

It was important to discover who was responsible and ask when there would be a prosecution.

Mr Gummer said his department had been warned on November 1 by the Dutch embassy of a specific consignment of feed that was thought to be contaminated and delivered to companies in Teignmouth, in the south west and Liverpool in the north west.

Once it was discovered that the feed had been distributed to farms in this country, the department took "urgent steps" to trace suppliers and used customer lists to trace farmers.

Mr Gummer stressed: "There has been no hazard to human health."

Government stalls on military aid to Khmer Rouge

By Christina Lamb

THE Government yesterday appeared to admit that British special services had been used for military training of Cambodian rebels fighting alongside the Khmer Rouge to topple the Vietnamese-backed regime of Hun Sen.

Labour claims that a former officer in the SAS – an elite military force – has been in Bangkok co-ordinating British training of non-communist groups. These groups have been working with the Khmer Rouge against the Hun Sen regime installed by the North Vietnamese after the defeat of Pol Pot, the Khmer Rouge leader, in 1979.

In an opposition-sponsored debate in Parliament, Deputy Foreign Secretary William Waldegrave was called on to repudiate allegations of British military aid to the Khmer Rouge. Mr Gerald Kaufman, the oppositon Foreign Secretary, opened with a powerful speech in which he accused the Government of "conniving" with the Khmer Rouge, to undermine the Hun Sen regime.

The implicit admission came out when Mr Kaufman asked: "If the Government wants to avoid a protracted war in Cambodia, why is it funding military training through the special services for participants in that war?"

Mr Waldegrave said: "I will give no answer", but Mr Dale Campbell Savours, a Labour MP, pressed him. "You said you cannot answer but you have already answered a similar question about (military training in) Zimbabwe. Will you withdraw your words and say I refuse to answer?"

Mr Waldegrave replied: "The gentleman makes my answer for me – there have been no special forces involved in Zimbabwe." Mr Kaufman seized on this: "So what you are saying is that there are special forces involved in Cambodia. If there were not you would be able to answer the question."

A Foreign Office spokesman later said: "We cannot discuss these matters." Mr Waldegrave's words were seen, however, as confirmation of a recent article in the publication, Jane's Weekly, suggesting that for the last four years rebels have been receiving UK instruction in basic battle skills and that a British-trained Cambodian force has been established for destroying bridges and military targets.

The debate was called by the opposition in a bid to persuade the Government to withdraw its sponsorship, along with 74 nations, of a resolution to be presented at the United Nations tomorrow when it debates Cambodia. The opposition claims the resolution is not critical enough of the Khmer Rouge and could even be interpreted as being supportive. The Government has revised the wording of the resolution but Mr Kaufman says these are "cosmetic changes which fool no one."

Mr Kaufman called for a "complete change in British policy", particularly since the withdrawal of Vietnamese troops in September.

Mr Waldegrave denied that the Government gave any support to the Khmer Rouge.

Overseas investors 'return to market'

By Richard Waters

COMMISSIONS earned by UK stockbrokers in the first nine months of this year, at just under £500m, were almost as high as the total amount earned in 1988, according to figures published by London's International Stock Exchange yesterday.

The figures, published in the Exchange's latest quarterly survey of the stock market, covering the period June-September, also showed that overseas investors are increasingly returning to the UK as memories of the stock market crash two years ago fade.

In a detailed analysis of the market structure carried out at the start of the summer, it emerged that just under 20 per cent of business was being conducted by overseas investors. This compared with 14.6 per cent in the summer of 1988, reflecting the return of confidence of overseas investors after the October 1987 stock market crash.

The figure on commissions, however, while confirming the healthy income at securities firms for most of this year, does not take account of the downturn since the mini-crash of last month. This is likely to dent the estimate, since the value of shares traded daily is currently running at only about half the £1.6bn of the period June-September.

The Exchange reported that commission rates were lower on average than last year – down from 0.28 per cent to 0.26 per cent. However, customer business, as opposed to dealings between market makers, was 50 per cent higher in the third quarter of the year, helping to more than offset this falling commission rate.

Much of this was prompted by takeover speculation, with just five stocks – BAT, Gateway, Plessey, Abbey National and Commercial Union – accounting for 9.4 per cent of the trades done.

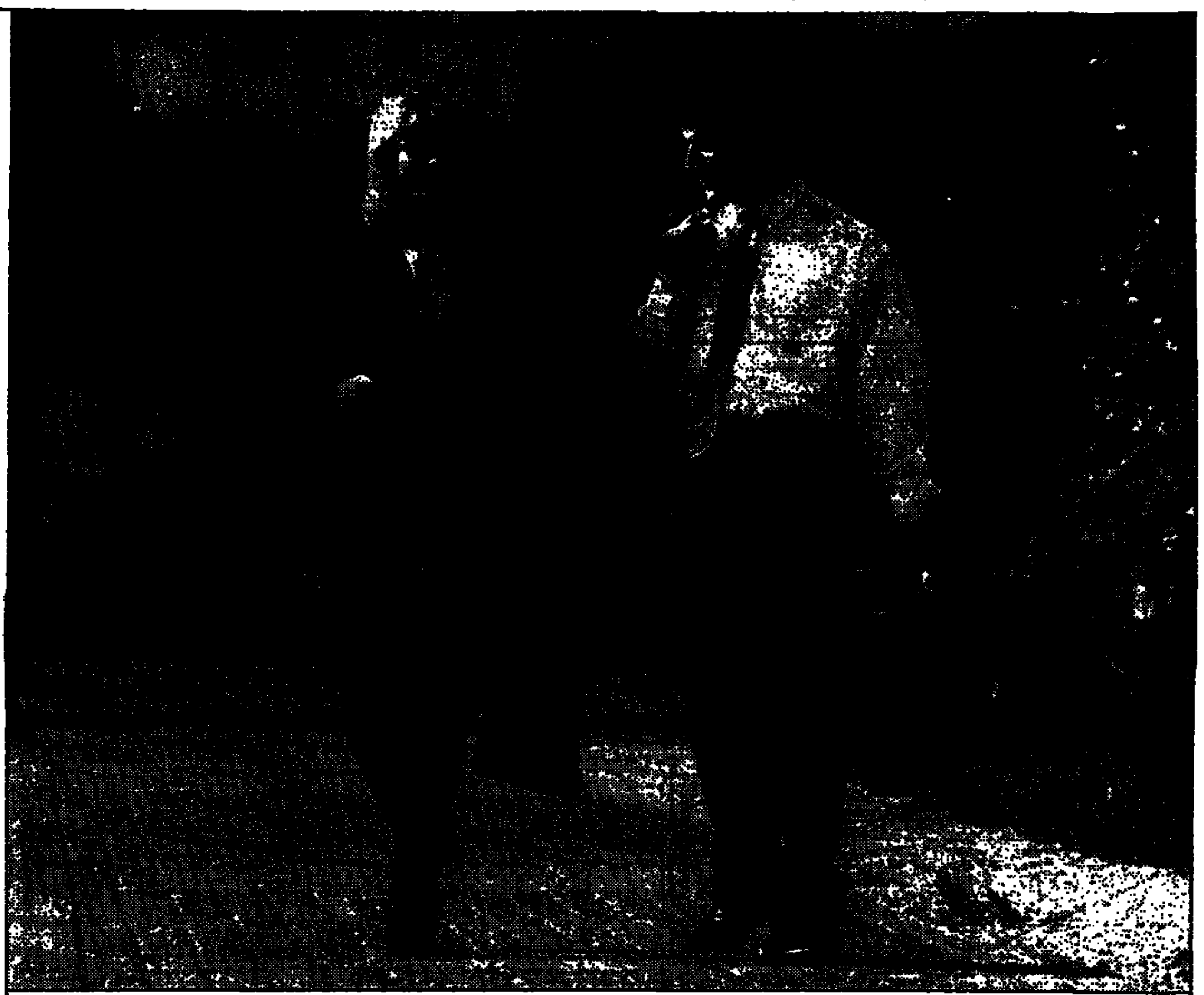
The report also details for the first time the high level of commissions paid by private clients who buy or sell small parcels of shares. Bargains worth less than £600 attract an average commission rate of 5.78 per cent, thanks largely to the high minimum commission charged by most brokers.

The usual minimum of £20 or £25 compares with the fixed minimum before the Big Bang – or deregulation of the City of London in 1987 – of £7 (to sell) and £10 (to buy).

The exchange points out, however, that more than half of private client transactions are for more than £2,000, and that average commissions fall to below 1.5 per cent for these larger deals.

Private clients continued to account for just under 20 per cent of the business conducted on the exchange.

● *Quality of Markets Survey: Autumn edition, Publications Dept, International Stock Exchange, 1 London Wall, London EC2. £16.*



UK NEWS

Who's to pay for petrol price cuts?

Steven Butler looks at the inquiry into alleged oil retailing cartels

THE CURRENT round of petrol price cuts has thrown a spotlight once again on the Monopolies Commission investigation under way into the industry's UK retailing sector. Near simultaneous price moves, in similar directions by similar magnitudes, is an oft-cited reason many give for suspecting a cartel is in operation. Never mind that most industries, from banks to butchers, behave in a similar way.

The oil companies have grown palpably nervous as the clock counts down on the date when the Monopolies and Mergers Commission (MMC) is due to hand in its report to the Trade Minister, on December 20.

Shell UK, the British operating company of Royal Dutch Shell group, has prepared a slick (and generally informative) video aimed at journalists and politicians explaining how the market works, why competition is fierce and why, as the company sees it, its market strategy is benefiting the consumer.

It recently took a more aggressive tack, lodging a formal complaint against the BBC broadcasting group after it ran a programme on October 9 in its Watchdog consumer affairs series, which Shell claims contained inaccuracies.

BP, the UK oil group, has retained Hill and Knowlton, the public relations firm, to see if its "message" about the industry is getting through to politicians and journalists. Gallup, the polling company, has also done the rounds, although it will not say which oil company it is working for.

This show of nerves could well turn out to be too late. According to some people close to the inquiry, the Commission went to the Government during the summer and said it could find nothing fundamentally wrong with the industry which required government intervention. It was told that was not good enough.

Given the widespread unpopularity of the big oil companies, there are fears in the industry that the Monopolies Commission will feel compelled to recommend something rather than come up empty-handed, and that the Government will have no choice but to act on it. This is especially true following the fiasco with the MMC report on the brewing industry, in which the Government was forced into an embarrassing climbdown on recommendations that brewers divest a large number of their pubs.

But if they are to do something, what? The MMC earlier sent to the oil companies a list of options for possible actions to restructure the industry in a bid to solicit comments on their possible effect, but no one has a clue which options, if any, were under serious consideration.

The options ranged from forced divestment of company-owned petrol stations, which the industry – big and small operators alike – fears most, to promoting greater transparency in wholesale prices.

The Office of Fair Trade (OFT) asked the MMC to investigate whether a rise in the proportion of petrol sales through oil company-owned sites or the replacement of tenants by more tightly controlled licensees had any effect on competition.

The basis of this referral, however, was partially undercut when it became clear that company-owned sites are not handling a larger proportion of total sales than in the past. The OFT did not ask the commission to investigate specifically whether oil companies collude on prices, and there has never been any evidence to support this.

But the commission will no doubt feel obliged to respond to the vague sense that oil companies are all doing more or less the same thing, and that competition is minimal – thus reducing choices to the consumer – while oil companies rake in the profits.

Unfortunately, the last bit of this argument does not hold up because, unlike the brewing industry, petrol retailing in the UK in recent years has not been very profitable and this poses a particular difficulty. With the oil companies getting just a five per cent average return on assets in refining and retailing, less than half the average for British industry, the danger is that any action taken against the industry could result in increased costs to consumers.

The low level of returns also raises an interesting question: why have the oil companies bothered to stay in, if they could have done better to put their money in a bank where it would earn interest? The answer, which is true throughout the industry, is that oil companies tend to have long investment horizons because they know cycles of good and bad business can last a long time.

Yet small retailers argue that this outlook has led the big companies to overpay for retail sites, driving up prices and entry barriers, and that small retailers have no way to compete against the sheer financial firepower of the big oil groups, which can survive for a long time on low returns. Even so, new entrants such as Heron International, the UK trading company headed by Gerald Ronson, or Kuwait Petroleum keep piling in, partly because the retailing side of the business is more profitable than the refining side.

Similarly, the oil companies, with their vast resources, can offer price support to allow one of their stations to meet the lower prices of a competitor across the road – thus, in effect, discouraging price-cutting by the competition.

This argument, however, is easily stood on its head – lowering prices to meet the opposition is still going on and is competition in action. In fact, one complaint by licensees against their oil company masters is that they sometimes do not give enough price supports and thus lose sales.

A quick drive around most localities turns up a range of petrol prices. These may vary by only a few pence, but given the high proportion of tax in the price, which can reach 118p a gallon, this actually represents a fairly significant percentage variation on the underlying cost.

The ability of the big oil companies to sustain a long period of low margins has probably slowed the decline in the number of service stations. This may delay moves toward a more efficient industry, characterised by fewer sites which are individually higher in volume.

Yet it is by no means clear that the public interest lies in seeing a faster contraction of the industry, especially if this should involve oil company withdrawal from rural areas that are expensive to supply.

Almost every option open to the Commission appears to involve these sorts of trade-offs.

The Petrol Retailers' Association (PRA), which represents the station operators and whose actions set in motion of a train of events leading to the MMC investigation, wants licensees to have better terms, more freedom to operate the sites as they see fit, maybe even a pension. At least some of the oil companies are willing to reconsider some of the terms, such as length and security of tenure. The PRA claims may be fully justified and perhaps the MMC will decide licensees and station owners deserve a better deal.

But if they do, it is unlikely to be the oil companies who end up paying for it. Perhaps it should be motorists, rather than oil companies, who are getting nervous.

Esso and Shell reduce pump cost by 4p

ESSO and Shell, Britain's biggest petrol retailers with about per cent of the market each, yesterday lowered pump prices by 4.1p and 4.0p respectively, writes Steven Butler.

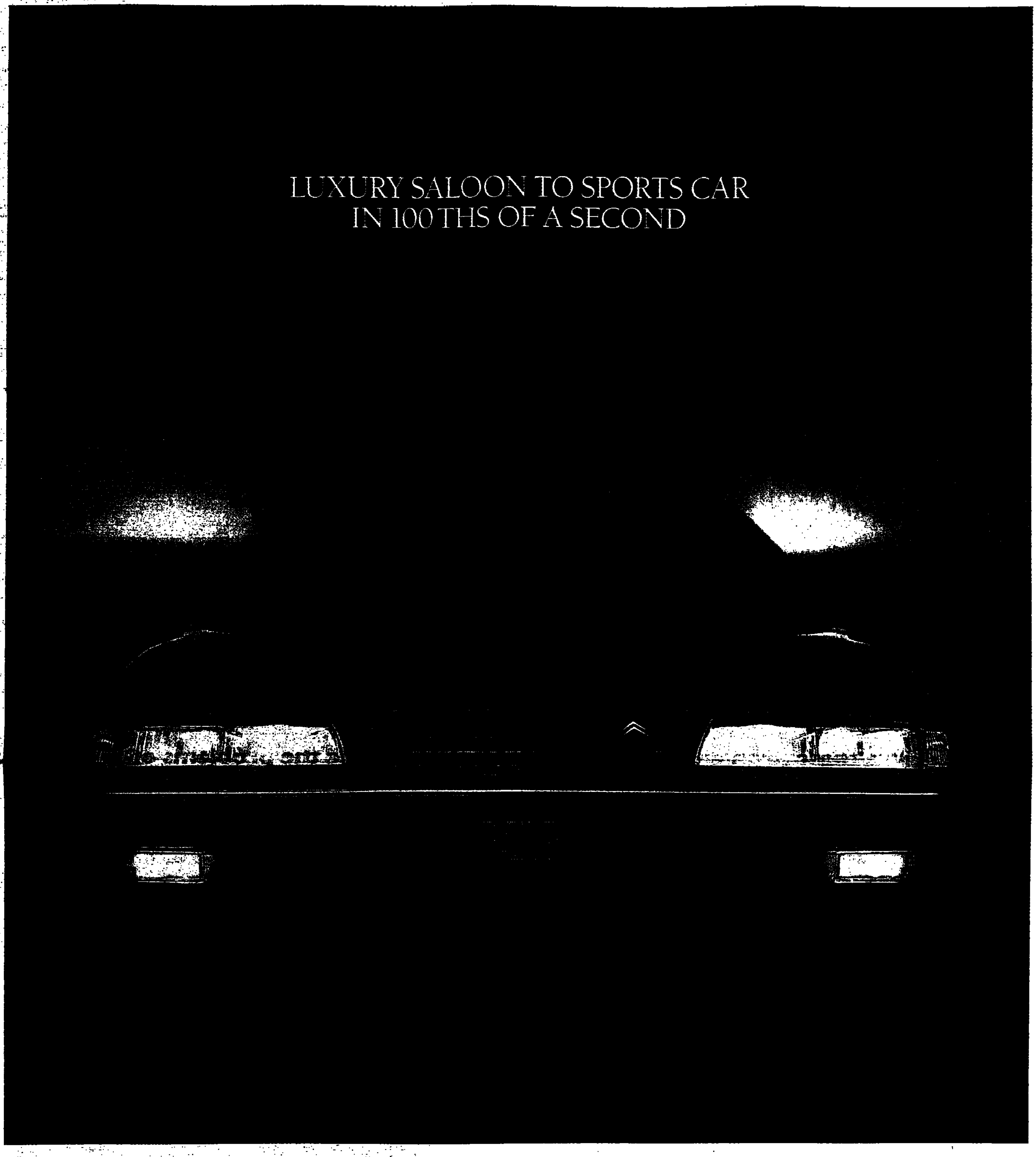
This will put the retail price of four star for both companies at 183.7p a gallon.

Jet, the Conoco retailing arm, kicked off this latest round of price reductions at the weekend when it announced a 6p-a-gallon cut.

The Jet announcement, which came out late on Friday, appeared cleverly timed to gain it maximum exposure in the weekend press when other companies would be unlikely to act. Jet is partly able to position itself as the cut-price retailer because it has no budget for advertising or promotions, but has been successful at gaining press coverage to maintain its cut-price image.

The price reductions follow a drop in Rotterdam spot market prices, which oil companies use as a marker for their domestic sales.

BP and Texaco were expected to lower prices also, although yesterday they were still considering their position.



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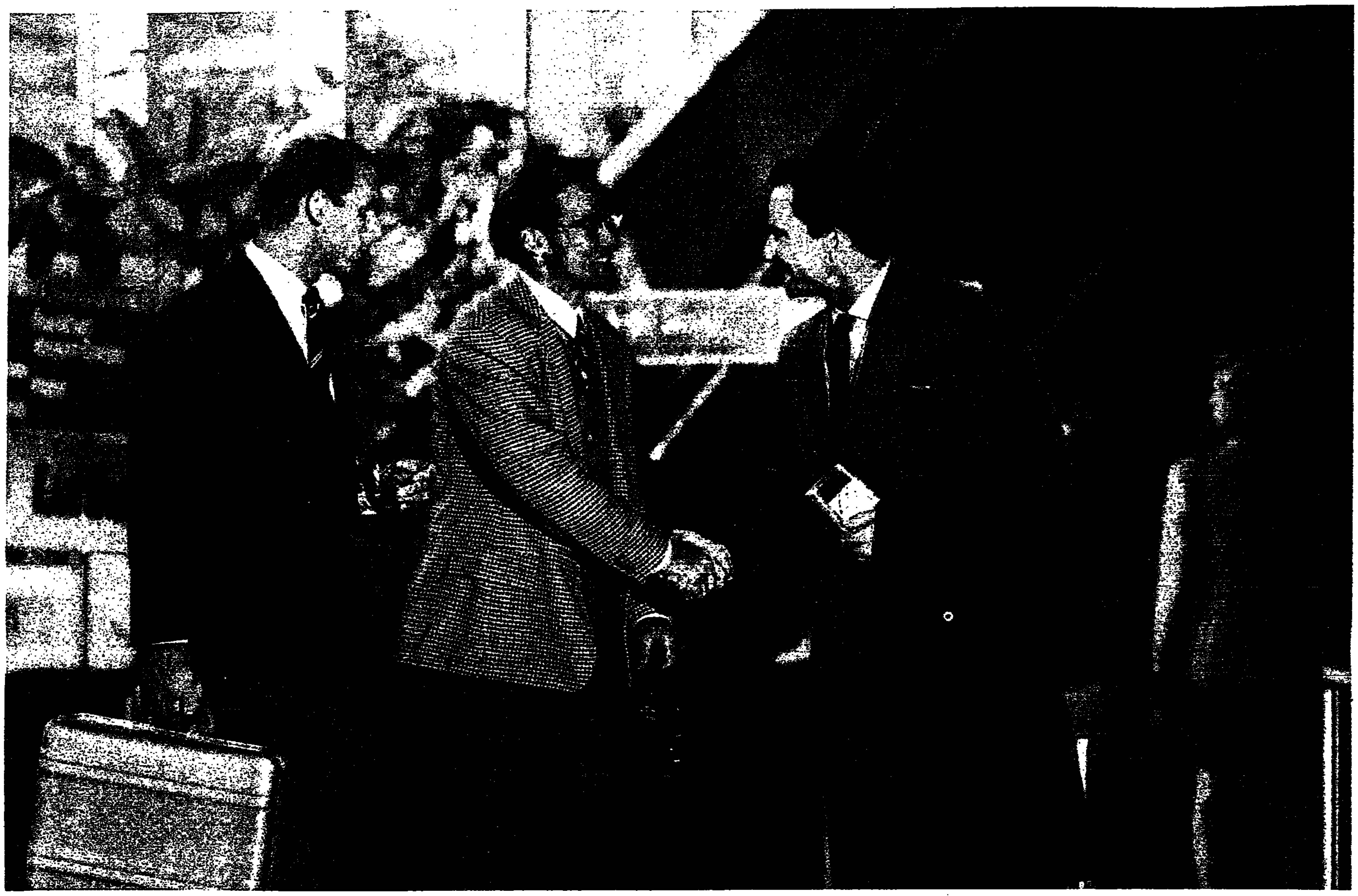

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Just-in-time

'You only make what you can sell'

Charles Batchelor examines the efficiencies of a system considered particularly suitable for smaller companies

Knowles Electronics, a Burgess Hill, Sussex-based manufacturer of small microphones and receivers used in hearing aids, prided itself on the excellence of its production controls. It could offer customers an eight week lead time; late or missed shipments were very rare; and quality was high.

The self-satisfaction at Knowles, part of a US company with 1,000 employees worldwide including 250 in the UK, was punctured, however, when customers started pressing for even shorter lead times and more frequent deliveries.

This forced Knowles's management to look at the "insurance premiums" it was paying to maintain its good delivery record. It carried 12 weeks' worth of finished goods, large amounts of half-finished products and sizeable stocks of bought-in parts.

It was at this point, mid-1985, that Knowles began to take a serious interest in just-in-time (JIT), a Japanese production management technique to eliminate waste and reduce costs. Cautiously, Knowles began a trial, reducing the inventory it held at every stage of production.

Within three months the amount of work in progress had been reduced to one third of previous levels. The company decided to extend the JIT approach throughout the factory, reducing the length of

Managing production

time machinery was out of action for maintenance and repair, cutting the set-up time needed to prepare machinery for the next job, and making quality improvements.

Four years on lead times have been cut from eight weeks to between three and five days, says Phil Robinson, manufacturing director. Work in progress on the assembly lines has been cut from 15 days to three days and Knowles can now manufacture comfortably in batches of 100 compared with previous levels of up to 5,000. This allows it to respond faster to customer demand.

JIT is just one of a range of manufacturing techniques to emerge in recent years but is, in the view of some experts, the one most suited to the needs and the abilities of the smaller firm.

"There is a plethora of management control systems around, which is quite bewildering for the manager of a growing company," says Roderick Roy, a director of the manufacturing consultancy at accountants Coopers & Lybrand.

"The danger is that the smaller company mimics big company processes but gets swamped because it doesn't have the management team to drive it," warns Roy. "The beauty of JIT is that you don't need computers and it is not highly complex."

The aim of JIT is to eliminate waste by reducing activities which do not add to the value of the product and to tighten up on the way raw materials and semi-finished products move through the factory.

"JIT says you only make what you can sell," comments Roger Ely, a director of Ingersoll Engineers, a Rugby-based consultancy.

Conventional costing methods lead to companies using machinery to its maximum capacity with little thought for the expense incurred by this approach. JIT takes into account all of the costs involved in manufacture.

Dexion, a manufacturer of shelving and storage systems with turnover of £70m, decided it needed a more effective method of managing production at its Hemel Hempstead, Hertfordshire, factory employing 750 people. Two years ago it decided the answer was manufacturing resource planning or MRP2, a sophisticated but complex method of planning production involving the extensive use of computers.

Within two months of introducing the system, Dexion had run into problems, says James Cadman, JIT project manager. Some of the data fed into the computers was inaccurate so production schedules went awry and customer service declined.

It took Dexion (which is part of Interlake, a US engineering group) between six and nine months to recover from this set-back and the company was still left with the problem of improving its production management. The answer turned out to be JIT.

Dexion began with a pilot project in the company's shelving division. Because it took so long to set up machinery the company was making large batches of shelving which then had to be stored.

Cadman decided to halve the batch sizes, which meant doubling the frequency with which the machinery had to be set up. To reduce set-up times he videoed the men at work and then got them to discuss their performance.

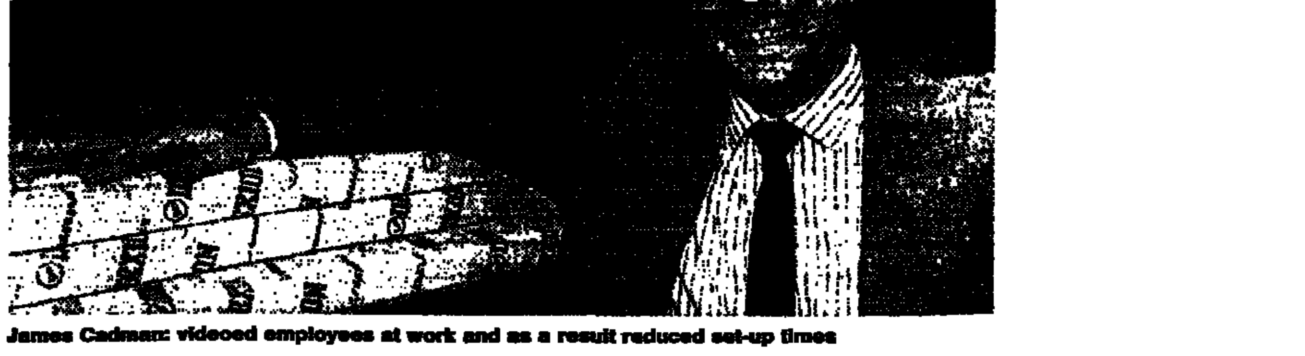
The video showed the men were walking too far to find tools and that there was scope to standardise the nuts and bolts used on the machinery and to simplify the mechanism for changing tool heads. Just by altering the way the men worked and without any investment the shelving division cut set-up times on some machines from 45 to 12 minutes.

The next stage was to introduce Kanban, another Japanese technique in which production is geared to filling a bin or storage area with a particular product. When the bin is full production switches to the next area of demand.

Under conventional manufacturing methods raw materials and sub-assemblies are *pushed* through the factory by pre-set production targets. Kanban reverses this process with components being *pulled* through the factory, says Derek Aldridge, of Sandwell Business Training Centre in the West Midlands. When despatch starts to run short it pulls finished products from the assembly line which in turn pulls sub-assemblies from the shop floor.

Kanban does not do away with the need for production planning - Dexion still uses its computers to process orders and forecast its material needs - but it provides a simple and visual method of scheduling the flow of products through the factory, says Cadman.

Boosted by the success of the pilot programme in the shelving division, Dexion is now extending JIT to the rest of the factory. The impact has already been dramatic. The company has cut £4m or 40 per cent off the value of stocks while the stock turn has increased from 4 times a year to nearly 9 and is scheduled to rise to 25 by 1992. The production cycle has been cut from two weeks to one while customer queries about quality, prices and delivery have been reduced by 80 per cent.



James Cadman: videoed employees at work and as a result reduced set-up times

In contrast to the popular view of JIT – that it is simply a means of putting pressure on suppliers to deliver more frequently – companies must make sure that their internal JIT procedures are working well before they can involve outsiders. Dexion is only now beginning to approach its suppliers.

"The problem is that JIT has been used by some companies as a stick to beat suppliers," says Richard Turner, general secretary of The British Production and Inventory Control Society. "Some companies do use it adversarially because they see it purely as a purchasing tool. But JIT should make it easier for the supplier because it allows him to phase his production."

Dexion hopes to halve the number of its suppliers from the current level of 160 but the smaller company often lacks the muscle to come to such agreements.

"We tried to get our suppliers to go over to JIT but they didn't like the idea of delivering more frequently," says Gerry Beetles, managing director of Communication & Control Engineering (CCE), a Calverton, Nottinghamshire-based manufacturer of cables with sales of £10m. "As a small company we couldn't bring pressure on them."

CCE also found that JIT is not always easy to apply to every sort of business. The company has cut its set-up times and reduced its work in progress but Beetles describes progress to his JIT targets as "limited."

CCE's problem is that it makes relatively short runs of different types of specialised cables on machinery which is really designed for long continuous runs. There are limits therefore to the reduction which can be achieved in set-up times when operators have to re-thread an 80-foot-long cable machine.

Companies also frequently face resistance from the workforce and their middle managers who have grown up with the traditional ways of running the factory. "It's a cultural problem," says Cadman. "People feel good when they see the machines running." JIT seems to show that this is a cultural hurdle which can be negotiated profitably.

Previous articles in this series appeared on October 24 and 31.

A Mittelstand mix of clout and dynamism

David Goodhart on a West German consortium approach to creating 'less power, more market'

The West German Mittelstand – the country's celebrated industrial backbone of small and medium-sized companies – is fighting back. The many representatives of Mittelstand interests have recently had plenty of opportunities – most notably the giant Daimler Benz/MBB merger – to complain about the distance between the Government's Mittelstand rhetoric and its big-business practice.

But the formation last month of Mittelstandes GmbH marks the end of complaining and the beginning of action. Or so, at least, claims the effervescent Count Albrecht Matuschka, boss of Germany's eponymous financial house, and brains behind the new company.

Mittelstandes GmbH consists of 70 Mittelstand companies – 49 per cent in production, 31 per cent in trade and 29 per cent in services – which have come together to seek some of the benefits of size and political clout without losing their Mittelstand dynamism.

The immediate cause of the company's formation is the race for the private sector rival to the Bundespost's European digital mobile telephone. Ten consortia have applied for the potentially lucrative licence – to be decided in December – and one of them is Deutsche Mobilfunk AG, 51 per cent of which is owned by Mittelstandes GmbH.

Matuschka is playing mercilessly on the Bonn Government's Mittelstand guilt complex in the race for the licence, and threatens the businessman's equivalent of riots in the streets if it goes to one of the giant companies also in the race.

Deutsche Mobilfunk stands an outside chance of winning the licence, perhaps in combination with one other consortium, not just because of the Count's political skills but because of the genuine advantages of its nationwide Mittelstand network; the membership of the consortia (which includes one of Germany's biggest regional banks and the US company Millicom Inc); and the conflicts of interest or political difficulties associated with so many of the other consortia.

But whether it wins or not Mittelstandes GmbH is not a one-project phenomenon and is not going to fade away, says Matuschka. "The big companies are enormously profitable at present and are spending a lot of their money on buying up the Mittelstand. That is making Germany's industrial power structure even more top heavy. We are going to keep hammering away on this structure under the slogan 'less power, more market,'" he says.

Some of the future projects will be connected to the Count's main interest – which is to save the world from ecological catastrophe through the intelligent application of liberal economic principles.

Several members of Mittelstandes GmbH belong to the Count's circle of "conservative greens". One such is Ulrich Otto, boss of the Cologne-based Otto Group, which specialises in environmental technology. The Otto Group will be responsible for making a recyclable mobile telephone hand-set for Deutsche Mobilfunk; that is more than a green businessman's affectation as by the mid-1990s car sellers in Germany are going to be responsible for recycling the cars they have sold and are thus more likely to favour car phones which are not made of unrecycleable plastic.

But the more ambitious plan is a part privatisation of the German water supply system. Undaunted by the political difficulties of water privatisation in the UK, Otto points to the fact that Germany needs to spend billions of Deutsche Marks on cleaning up its water and that the local authorities which are mainly responsible for the water simply don't have the money to do it.

Matuschka wants to let loose the nimble Mittelstand on several other ecological problems, in particular energy saving where the soon-to-be-floated Herne-based GEA thermal engineering group is a leader in the field. Not all the original Mittelstandes GmbH members will be interested in such green projects. It is difficult, for example, to imagine how P Dussmann & Co of Munich, a cleaning and catering services group, can help in purifying water or saving energy.

But there are other reasons for the Mittelstand to come together. It helps spread risk and it helps to give smaller companies the economies of scale of bigger ones. Peter von Windau, of Mittelstand consultant DGM, also stresses that smaller companies in Germany, unlike in Japan, are failing to realise their full potential in relation to the larger companies. The latter still do many things in-house which could be contracted out to the Mittelstand at a fraction of the cost.

Theoretically a company composed of Mittelstand companies should be better placed to strike nationwide contracting-out deals than individual Mittelstand companies or Mittelstand associations. Currently, however, Mittelstandes GmbH seems to be more interested in taking on the giants than doing business with them.

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Contact: VCR, Boston Road, Henley, Oxon. RG9 1DY Tel. (0491) 579999
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SEMINARS

THE IMPACT OF EUROPEAN UNITY ON EXTERNAL TRADE

Tuesday 12th December 1989 at the
CAFE ROYAL
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In the chair - SARAH HOGG
ECONOMICS EDITOR - "Daily" & "Sunday Telegraph"

Keynote Speaker - Rt Hon DAVID HOWELL MP
Chairman - House of Commons Foreign Affairs Committee

The aim of this seminar is to inform and advise businessmen of the effect that the introduction of the SINGLE EUROPEAN MARKET - and its convergence of regulations, taxes and financial practices - will have on the conduct of import and export trade with regions and countries outside the European Community.

OTHER SPEAKERS INCLUDE:

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Professor John Kay London Business School	Robin Impey Department of Trade & Industry	Vicky Pryce Peat Marwick McLintock

Fees: The inclusive fee for attending this Seminar (including Lunch and mid-session refreshments) is £250.00 plus VAT = £287.50 per delegate.

FOR FURTHER DETAILS CONTACT
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Telex: 922326 COMENT G Fax No: 01-749 9469

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For further information, please contact John Richards or Gavin Crick at:

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American owners of 400 acres fruit farm near to historical Epidaurus, have insufficient capital to exploit potential for EEC market and would consider whole or majority part sale. Such a large unit is a rare opportunity. For details apply to:-

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Hanson Stainless Strip Ltd (In Receivership)
West Yorks

The above company specialises in the precision machining of Stainless Metal Strips for a variety of industrial uses. The company's business assets are now for sale.

- Fully equipped leasehold premises and offices
- Plant equipment and stocks
- Skilled workforce
- Large customer base
- Turnover in year to September 1988: £1m

For further details, please contact the Joint Administrative Receivers:
Scott Barnes and Peter Flesher, Grant Thornton,
St Johns Centre, 110 Albion Street, Leeds LS2 8LA
Tel: 0532 455514
Fax: 0532 465055

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Semiconductor Die Processing Limited

(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and assets of this die processing house and chip assessor.

- Annual turnover £1 million.
- Work in progress and current order book.
- Workforce of 25.
- Specialised plant and processing area.
- Leasehold premises.

Interested parties should contact immediately:
Alan Marlor or Roger Griffiths, Ernst & Young,
Norham House, 12 New Bridge Street West,
Newcastle upon Tyne NE1 8AD.
Tel: 091-261 1063. Fax: 091-261 7744.

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Business for Sale

There is an opportunity to acquire the business and assets of an established Recruitment and Recruitment Advertising Consultancy.

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Tel: 0272 211622. Tlx: 44365 TRIBRIS G.
Fax: 0272 292801.
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Computer Distribution and Support Services
West London

The business, business assets, goodwill and customer database of Systrex Limited are offered for sale.

The Company operates from leasehold premises in West London and provides a wide range of computer equipment and related maintenance and training to business users throughout the country. Turnover in the year to 31 January 1989 was £2.7 million.

For further details contact Paul Meitner, Tel: 01-568 5050 or the Joint Administrative Receiver, Timothy Harris, Deloitte Haskins & Sells, PO Box 207, 128 Queen Victoria Street, London EC4P 4JX.
Tel: 01-236 6500;
Fax: 01-248 3623.

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01/05/4221/JTD

Leisure Industry: Hotels and Licensed Property Consultants

Printers and Graphic Designers
Birmingham, West Midlands

The Joint Administrative Receivers, J B Atkinson and N R Lyle are inviting offers for the business and assets of an established printing business situated in Birmingham.

- ★ 9,000 sq ft freehold offices and manufacturing unit in Kings Heath, Birmingham.
- ★ Annual turnover of approximately £300,000.
- ★ Continuous printing facilities.
- ★ Expertise in:
  - — printing directories and A1 posters.
  - — designing calendars.

For further information please contact Joe Atkinson or Maggie Rowe, Spicer & Oppenheim & Partners, Newater House, 11 Newhall Street, Birmingham B3 3NY.
Telephone: (021) 200 2211.

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A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Carpet Yarn Spinners
Ayrshire, Scotland

The complete facility of blending, carding, spinning and twisting plant of Galston Yarns Limited (In Receivership) are offered for sale including:

- ☐ 3 Carding M/C (2 by Houget Deusberg Bosson)
  4 Spinning M/C, by Deusberg Bosson
  Various cone winders, twisting frames etc.
- ☐ Leased mill premises approx. 47,000 sq. ft., rent £13,000 p.a.
- ☐ Located Ayrshire, Scotland

For further particulars and for an appointment to view contact:

G Ian Rankin CA, Receiver, or Ian Brown,
Deloitte Haskins & Sells
100 Wellington Street
GLASGOW G2 0DJ
Tel: 041-248-7932

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Residential Care Homes
North Tyneside

The business, business assets and goodwill of Coast & County Care Limited are offered for sale as a going concern.

The business operates two homes, one of 19 beds and the other of 36 beds.

For further details please contact Gordon Goldie, the Joint Administrative Receiver at Deloitte Haskins & Sells, Hadrian House, Higham Place, Newcastle upon Tyne NE1 8BE
Tel: 091-2612121.
Fax: 091-2326534.

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By Order of the Administrative Receiver L J Gerrard Esq F.C.A. of Laurence Gerrard & Co
Re: Alexander Newman Ltd — In Receivership

Ladies and Childrens OUTERWEAR MANUFACTURER
With Overseas C.M.T. Operation

Established 46 years. Prestigious Company with longstanding blue chip UK & Export customer base. T/O 1989 £3.2m. Freehold and leasehold fully equipped factory premises in London with C.M.T. base in Turkey. Valuable current stock of finished garments & cloth. Cost £522K. Offers invited for the on-going business & assets.

Ref SMW

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Tel: 01 407 8454 Telex 895 4348 Fax: 01 407 6423
London Manchester Liverpool Bristol Southampton

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Major European Food Processing Group offers an engineering subsidiary for sale as part of a strategy to focus on its mainstream business.

This subsidiary manufactures automated production lines for the meat/dairy products processing/packaging industry. It is located in West Germany, employing 50 skilled staff and currently achieves a turnover of @ DM15 million.

The company would ideally complement an existing concern within this industry.

Please write to Box H5398, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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Located close to Motorways
Turnover in excess of £1m.
New building with long lease
Modern high quality plant including Roland Favorit
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Well established company in the South of England which manucfactures Portable Industrial Vacuum Cleaners

This is a highly profitable, small, family company with sales of around £1.2 million. It operates from its own freehold factory and offices not far from London. It produces a high quality product sold to a solid customer base. Sales are made throughout the world. The current owner, who is retiring, considers there is considerable scope for growth.

Interested parties (names of principals must be disclosed) should apply in writing to:

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A unique opportunity to acquire the Exclusive Bedroom Manufacturers based in Rickmansworth - Hertfordshire. Twenty-five Employees. Modern Plant and Machinery, Approximately 10,000 square feet Warehouse, Turnover 1.6 Million, Fleet of Motor Vehicles.
Offers are Invited to include the option to purchase the Freehold Property.
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R Cohen
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Valuers and Auctioneers
739 Finchley Road
LONDON NW11 8DL
Tel: 01-458 5545 Fax: 01-458 0696

By Order of the Liquidator P Monjack Esq FCA FIPA of Messrs Leonard Curtis and Company

RE: RUSSELL BOURNE KITCHENS LIMITED - (IN LIQUIDATION)

A unique opportunity to acquire a complete manufacturing line of excellent quality kitchen units base in Brighton area, with modern Wood-working Plant and Equipment, magnificent showroom, 20,000 square foot factory, sensible rent, 25 employees, small quantity of stock and Order Book from Property Developers in the region of £1.2 million.
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Tel: 01-458 5545, Fax: 01-458 0696

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Telephone: (021) 454 4433

A Hepper Druce plc Company

By Order of the Directors

RE: K B S

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Due to rationalisation of our group's policies, our series of consumer magazines servicing the mass leisure markets are now for sale.

All titles established and successful with advertisers and are distributed through all major retail outlets to our readers.

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All hold potential for further growth.

Interested parties should contact: Ms. Elizabeth Crossley at Freeman Baker Chartered Accountants on Tel. No: 0727-61335

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CONSIDERABLE DEVELOPMENT POTENTIAL
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Leading Wholesaler. Retail outlets.
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Contact: Bill Cannings, Software Holdings Limited, 426/428 Cranbrook Road, Ilford, Essex IG2 6HW. Tel: 01-518 1414

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FOR SALE

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T/O £1.25m N.p.b.t. £100k. Based in the South East.

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Historic premises in rapidly developing area of Birmingham plus highly profitable engineering business. Engineering profit should easily cover costs of re-development of building into prestige offices.

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TURNOVER IN EXCESS OF £½m, PROFITABLE
OFFERS INVITED

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Versatile bleaching, dyeing and printing company of wide width woven fabrics situated in the North of England. Principals only.

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Less than 100 hours total time

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Prestigious Jet Aircraft for Sale by Fields as owner, for immediate delivery. Built 1981. Engines on MSP. Hangared, maintained, crewed by Fields for leading International corporation. Atlantic MNPS (INS and VLF). Paint and interior new in '88. Exceptionally good condition throughout.

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Field Aircraft Services (Heathrow) Ltd.

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Wrexham, North Wales

The above company's main activity is manufacturing mayonnaise, salad dressings and dessert sauces.

- Purpose-built leasehold premises and plant
- Annual turnover £5m
- 70 employees
- Substantial order book
- Prestigious range of high street customers

For further details, please contact the Joint Administrative Receivers:
David Rowlands and Allan Griffiths,
Grant Thornton,
1 Stanley Street,
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BUSINESS WANTED

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TECHNOLOGY

Detection offers a safer bite

CONTAMINATION of food with pieces of metal and glass – deliberately and by accident – has renewed interest in methods of checking that no foreign bodies have fallen into our foods. Two new methods – X-ray detection and microwave radar – are attracting attention. Both have a sufficiently small wavelength to see particles of bone, plastic, glass or vegetable matter.

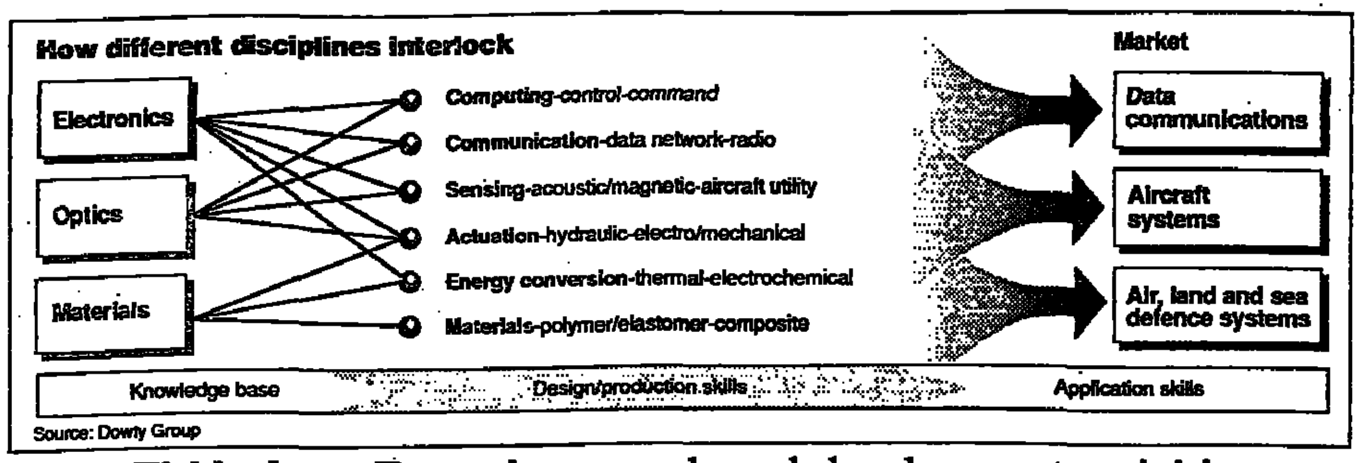
Goring Kerr Intertest, of Wellingborough, has a £70,000 X-ray particle detector which draws on the technology of airport security systems. Some 1.5 tonnes of food can be searched for 0.5mm pieces of unwanted material every minute. A 100 kilovolt X-ray source illuminates the food mass. Any foreign body will cause a shadow to be cast, which is then processed by computer to reveal the content. Glass, for example, is more absorbant than ice cream and produces a dark shadow.

Radar techniques can also be applied. The technology is similar to that used to find plastic mines in the Falkland Islands. Electronic discrimination techniques could be used on food at a frequency of perhaps 30GHz – 10 times higher than a microwave oven but at a much lower power level to avoid any heating effects.

Emrad, in Guildford, has used this method to detect 2mm cracks in concrete, but the company believes the method can be applied to food. David Daniels of ERA Technology in Leatherhead says that the radar methods could be offered at possibly half the cost of the X-ray machinery. This would involve either a similar "shadowing" type of technique or a microwave "bridge" where a contaminant would unbalance two microwave signals.

The radar-related government bodies, such as the Royal Armament Research and Development Establishment and the Royal Signals and Radar Establishment, will become Defence Technology Agencies in 1991. A bigger push into the commercial area is expected but the stumbling block, according to Daniels, is funding for the developments.

Paul Jackson



Source: Dowty Group

David Fishlock on Dowty's research and development activities

Strategy divisible by four

"MY priority is to get assets out of the business and use them to fund innovation," says Tony Thatcher, chief executive of the Dowty Group. A policy of what he calls aggressive asset management freed £50m last year, which he is using partly to boost research and development expenditure by 15 per cent.

Since the mid-1980s, Dowty has been transformed from depending heavily on hydraulic engineering and mining equipment to high-technology systems and materials. Aerospace engineering accounted for 51 per cent of profits last year. "We've moved away from being engineering-driven to being market-focused," Thatcher says.

He is a member of the Department of Trade and Industry's Innovation Advisory Board, which advises Nicholas Ridley, Trade and Industry Secretary, on industrial policy. Dowty, he believes, is not a group of distinct businesses but four interlocking technologies – aerospace, electronic systems, polymer engineering, information technology – feeding increasingly off each other for innovation.

Either Dowty must increase its own in-house R&D to keep these four technologies advancing or it must find imaginative ways of getting the same result through joint ventures or university tie-ups, Thatcher says.

High-level management groups meet regularly to exchange knowledge across the company. Instead of the customary "R&D", Dowty believes the terms "enabling technology" (meaning research) and applications technology (meaning development) are more appropriate.

The company has enjoyed a reputation for innovation since George Dowty, its founder, invented in the 1930s a "fluid spring" to absorb the shock of an aircraft landing. After the war he applied these hydraulic principles to pit props. High-pressure hydraulics led him to develop seals for containing fluids, the start of polymer engineering.

But Dowty lacked the cash to exploit its ideas. Much of its work was sub-contracted. Ideas were licenced out and the cash shortage continued. Michael Spence, group director of strategic development, joined Dowty in the mid-1970s. At the time it was becoming clear that the company's basic technologies – high-pressure hydraulics and electrics – were not developing rapidly enough. Spence now has a pivotal role in determining where Dowty puts its technical effort.

Current strategy, he says, is to look 10 years ahead and ask what enabling technologies the company will have to undertake to meet business objectives. Also, how it will acquire and fund these technologies.

Dowty is considering applications for its technology in the shorter term too. Dowty's biggest technical project at the moment is the development of landing gear for Airbus A 330. The company is asking Airbus Industrie for $25m towards the development cost.

In the aerospace sector especially, says Spence, the strategy is to examine each proposal rigorously to determine the level of risk and how best to limit it. As business sectors, neither industrial hydraulics nor mining technology could meet Thatcher's criteria for growth when he became chief executive three years ago.

The four that remain are high-growth businesses. Together they operate more than 50 laboratories devoted to specific activities, each reporting to a divisional managing director. Dowty no longer has central laboratories because "they became far too ivory tower," says Spence.

Dowty operates a small technical centre at Greenford near London to co-ordinate these multi-purpose enabling technologies (see diagram). It is headed by David Grant, director of the electronic systems division's advanced programmes. The centre has no laboratories, just 14 experienced engineers and scientists.

Grant cannot force any part of Dowty to take up a technology. But he can help find funding – for example, he secured a Defence Ministry development contract for fly-by-light controls for a helicopter.

The centre comes into play only if divisions are reluctant to accept the enabling technology themselves. Optics is a good example; no Dowty product at present employs optics. But the company realised that aircraft manufacturers such as British Aerospace and Dornier were taking optical flight controls seriously. Grant wrote a report on why optics were important for Dowty's future. It highlighted opportunities in aircraft, defence systems and data communications.

An optics programme was soon developed. It is working seven to 10 years ahead, says David Marshall, programme manager, whereas Dowty's applications laboratories are looking only a year or two. The idea is to ensure that Dowty has in-house expertise that it can transfer as soon as a product opportunity looms.

Another is likely to be surface treatment. The aerospace division realised that it needed help when it found that titanium could not be used as the structural metal for landing gear because the metal lacked good wear characteristics.

Fast technology transfer is vital, says Geoff Smith, director of business development for the fuel systems division of Dowty Defence and Air Systems. In the past, engineers accepted the perceived limitations of their materials. Enabling technology offers the opportunity of tailoring a material to meet the need.

His division has invented a way of designing an aircraft fuel control system that conceptualises the problem in a different way from conventional computer-aided design. The system consists of hundreds of intersecting holes. Instead of boring holes in metal, the computer wraps the metal around the holes.

But why use metal instead of polymer? Dowty's polymer engineering activities began by making better seals for high-pressure hydraulics. Now engineers can make composites strong enough for landing gear, and other materials elusive enough to allow an aircraft or submarine "disappear".

Smith's division is investing much faster in R&D than the 15 per cent authorised by Thatcher. It plans to double its spending this year and increase it by a further 50 per cent next year.

Engines make a power play

A TECHNOLOGY first used in Spitfire aeroplanes has been adapted for use in motor vehicles to cut back emissions while increasing the power.

The unit, from Powerplus of Southampton, can be used on petrol or diesel engines to increase the percentage of fuel burnt. The manufacturers say the unit makes engines up to 93 per cent efficient and reduces emission levels by 50 per cent.

The Powerplus is a metal pipe, inserted between the fuel tank and the engine. As the petrol or diesel passes through the unit – made of tin and three other alloys – the metals cause the fuel molecules to react against each other and break down into smaller units. As a result the molecules are burnt more easily in the engine. The tin also acts as a lubricant (instead of lead), so the car can run on unleaded petrol.

In Spitfires on the Russian front, the device helped the machines run on low octane fuel by breaking down the molecules in this way.

The device takes minutes to install and can be fitted on existing cars for about £75. It can be used in conjunction with lean-burn engines (which are designed to increase the percentage of fuel burnt) and catalytic converters (which remove the toxic gases from car exhausts).

Where potatoes and plastic meet

NEXT time you throw away your potato skins or cheese parings remember that they could be converted into degradable plastic rubbish bags or containers.

Strange though the idea seems, scientists at the US Department of Energy's Argonne National Laboratory, in Illinois, have come up with a way of doing just that.

The process involves three main stages. The carbohydrates from the potato peelings and cheese are converted into glucose; the glucose is turned into lactic acid; and the lactic acid is turned into sheets of polymer.

The plastic can be adjusted during manufacture to be either biodegradable (broken down by bacteria) or photodegradable (broken down by sunlight).

The advantage of the process is that the raw materials are readily available from food processing plants. An estimated 10bn lbs of potato peelings are created every year by potato chip makers.

Link travels with cash to Iberia

CUSTOMERS of UK banks and building societies affiliated to the Link network may soon be able to withdraw Spanish pesetas and Portuguese escudos from cashpoint machines in those countries.

Next spring Nexus, the electronics payment company, of Welwyn Garden City, will begin a service for cardholders to use their cashpoint cards in any of 2,500 outlets in Spain and 800 in Portugal. This follows an agreement with network operators Sistema of Spain and Sociedade Interbancaria de Servicos of Portugal.

Spanish and Portuguese visitors to the UK with the appropriate cards will also be able to use selected cash machines in the UK.

When a card from the UK is placed in the Iberian machine, a prompt on the screen asks whether the information should be displayed in English or the local language. Then the cardholder taps in details and withdraws the cash in local currency.

The machine checks whether it is a valid transaction by sending a message back to the computer centre in the UK over the international packet switched data network, which breaks the information down into a number of discreet packages to ensure that they arrive without any corruption.

When the transaction is complete, the UK centre converts the withdrawal sum into sterling and deducts it from the customer's account.

Circuit boards turn to alcohol

AS printed circuit boards appear in everything from computers to washing machines, there is a growing demand for them to be produced without the use of environmentally damaging chlorofluorocarbons (CFCs).

Traditionally CFCs have been used to clean printed circuit boards of flux – the sticky brown substance used to control the flow of the solder on the circuit board in order to give a good joint between the board and the components – such as chips.

Castrol, the UK lubricant manufacturer, has developed a solvent flux which does not need to be cleaned off. Because it is alcohol based, Interflux 2005, as it is called, evaporates, so eliminating the need for CFCs.

Some 55 per cent of the electronics industry's use of CFCs is cleaning printed circuit boards.

WORTH WATCHING

Edited by Della Bradshaw

Speech therapy gets animated

A GRINNING cat is helping people to enunciate words properly by appearing on a video screen when the word "cat" is enunciated correctly, writes Andrew Wiseman.

Siemens has developed a language trainer, known by its German acronym RST, which reacts optically to a variety of articulation exercises. Each time the desired word is spoken, a picture of it appears on the screen – perfectly in focus if it has been clearly enounced, less so if it has not.

There are 10 stages of picture clarity, which makes it possible for the pupil to know exactly and immediately how well or badly the word has been enounced.

Practice can be without supervision, because a printout allows the therapist to determine which words cause particular problems.

RST is intended for special schools, industrial rehabilitation centres and clinics, for patients who have suffered speech defects following operations or accidents.

Contacts: Powerplus: UK, 0703 232929. Argonne: US, 312 972 5580. Nexus: UK, 0707 325122. Castrol: UK, 0793 512712. Siemens: W Germany, 89 2340.

Self-Portrait, 1975, by Tom Phillips

Bare the burden of genius

William Packer reviews Tom Phillips

"He put in his thumb/ and pulled out a plum/ and said — What a good boy am I." Tom Phillips is a fine example of a familiar type, at once endearing and infuriating, the Little Jack Horner of contemporary British Art. It is indeed maddening to be confronted by anyone determined on baring and sharing all the burdens of genius, and in this respect Tom Phillips is in danger of becoming a bore. This very propensity has already earned him reviews for his latest exhibition, *The Portrait Works* (National Portrait Gallery: until January 21) of quite remarkable *ad hominem* vituperation and from two critics who are not exactly shrinking violets themselves.

He is indeed an easy man to mock, perhaps too easy. Though by no means rare, it is always disconcerting to come upon someone of Phillips' undoubted sophistication and scholarship unable even to see the danger he courts by his self-celebration, let alone to guard against it. But it is this naivety that in the end is endearing: that Phillips is so often unable to distinguish between his undoubted strengths and his weaknesses merely makes him true to the Horner type.

There is a further point of the story, often overlooked in the interests of superior modesty and social grace, that Jack did at least produce the goods. Phillips' exhibition may be uneven, contradictory, maddenly, even comically self-centred, yet it is also substantial and contains more than enough work of quality and interest. I came away from this show as irritated as ever, but with a new respect for the artist.

The large portrait of Iris Murdoch (1986), which the National Portrait Gallery commissioned, occupies a central place in the show along with its attendant studies, and is given extended exegesis in the catalogue. It is a strong and on the whole successful work, which I find has grown more impressive with time. In a strong light, Dame Iris sits head and shoulders before Phillips own copy of Titian's "Flaying of Marsyas," with a gingko plant in front of her. "To have featured an iris would have been too dumb," says Phillips. "I made a wild guess and suggested a gingko, and it turned out that we were both enthusiasts for the world's oldest tree. Luckily there is a fine specimen in my own garden . . . ."

The odd thing is that his weaknesses have contributed rather more to his success than his strengths. Whenever he works straight-forwardly, drawing freely and unselfconsciously, Phillips reveals the artist in himself. It does not happen often, but often enough to be both encouraging and frustrating. Several times, as in the portrait drawing of Michael Henshaw (1980) and the small oil study of Brian Eno (1985), he makes open reference to the work of Frank Auerbach, as though to make his own envious acknowledgement of Auerbach's committed, painterly attack.

The early portrait of Anne Goldberg (1963) has a simple strength to it that is both disciplined and yet unforced and intuitive, a creature not of a predetermining intellect but of a practical involvement and process. One or two of the drawings and watercolours are as fresh and direct, and they surprise and charm by their innocent assurance. It is always a good test, that an artist should wonder quite how the thing was done. Even some of the more laboured works, when Phillips is simply seeking to achieve the likeness of a friend or colleague, have the integrity of the work done for its own sake, and the sake of the creative discovery to which intuitive concentration leads, if it is trusted.

But Phillips, whenever he trusts his intuition, does so in spite of himself, for he is inclined never to trust it. And the public he has created for his work seems to respond wonderfully to that distrust. It too loves to have the message spelled out, stifling the imagination. "What does this painting mean?" comes the question, and Phillips is ever ready with an answer. These are very British traits. Everything should be susceptible of ready explanation.

So everything is spelled out. He must give us the number of sittings, as though perseverance of itself were a pictorial virtue. We are told of the obsessively regular cycle of his activity, of the model reworked every Saturday morning for a year and of the two-hour self-portraits for when the model fails to turn up, as though to reassure both himself and us of quite how hard and seriously the artist works. The significant attributes of the sitter are all so earnestly explained away — Shirley Cargill's gardening hat for her love of gardening; an African carving for the scope of Ted Lucie-Smith's taste and interest; Satie as Jack-in-the-Box for Adrian Mitchell; Nick Tite's cricket sweater.

The quarrel is not with the imagery as such but with such insistent and essentially academic re-emphasis. We are not allowed even the time to remember that the imaginative engagement, the fun is in the surmise, the guessing and finding out, not in the being told. Iconography is the business of the academic and art historian, not of the artist. As for the time things take, we might do worse than consider Whistler's second proposition, that "To say of a picture, as is often said in its praise, that it shows great and earnest labour, is to say that it is incomplete and unfit for view. Industry in Art is a necessity — not a virtue . . ."

Cinzano

TRON THEATRE, GLASGOW

The "New Beginnings" festival of the Soviet arts in Glasgow brings back to the Tron the play about a cheery alcoholic binge seen earlier this year, courtesy of LIFT, at the Almeida. The Moscow Chelovyek Studio has remounted Ludmilla Petrushevskaya's 1973 play with three Scottish actors, using a Glaswegian version of the text prepared by Stephen Mulrine.

The results are mixed. You do not really get the sense of pre-glasnost extremity in despair engendered by Pasha's acquisition of a caseful of sticky vermouth. And although I did not see Roman Kozak's original production, warmly applauded here by Martin Hoyle, his new staging seems to pander to the actors' abilities rather than nail them to the dark journey of the soul. The play is obviously a fantastic showcase, with its cabaret eruptions and spiky, alcohol-induced switches of mood. But the true nature of Slav despondency is missing.

Inevitably, perhaps. These three friends all have reason to moan. Marriages have gone wrong, jobs are scarce and boring, apartments are overcrowded, a bone marrow operation looms. The borders, too, are closed, and who wants to go to Bulgaria anyway? The company's dramaturg told me afterwards that the unbelievable recent events in East Germany could well reinforce the Soviet isolation, and desolation, so poignantly discussed in this play.

Meanwhile, the actors perform heroically, bending their ears to the Tron floor as the Metro rumbles underneath. The Almeida drumkit has been replaced by a piano, which Forbes Masson as a ginger, electric-eel Pasha plays well, however much he has imbibed. Pasha and the grinning, gravel-voiced maniac of Peter Mullan's Kostya, gang up on the third party, the more sheepish, suited Valya (Paul Samson).

The loose ambience is continuously stiffening into virtuoso plastic set-pieces: a belching contest, giggling imitation games, a terrific dance sequence that gathers to a taut, automaton-like musical comedy climax before maudlin collapse.

Forbes Masson, Peter Mullan and Paul Samson

The trouble is that these displays are not connected with any degree of exact behavioural response to the alcohol intake, or the troughs of recovery from befuddlement that no doubt justify the execution of gymnastic action.

A great ritual is made of the first glass, with Kostya sombrely kneeling on a stool while the bottle approaches in slow motion, having been ceremoniously unscrewed from its top. These are lovely moments, but the overall texture of the evening is thin; so much so that we are totally unprepared for the surprise conclusion of homosexual comforting.

Still, the play is a fascinating low-life glimpse of other Russia, as opposed to Mother Russia, and its great international success is comprehensible even in circumstances only partially convincing.

Michael Coveney

Itzhak Perlman

BARBICAN HALL

Itzhak Perlman last gave a recital in London three years ago. On Sunday afternoon he appeared at the Barbican with Bruno Canino, and presented a programme of quite consummate accomplishment, which on a technical or musical level was impossible to fault. It is hard to remember a violinist who seemed quite so comprehensively in command throughout such a demanding programme — for its duration one forgot that intonation could ever be a string player's problem, or that bowing could not be utterly even or phrasing not perfectly conceived.

The published programme juxtaposed three hefty sonatas — one of Mozart's most substantial the D major K.306, in which the twinning of Perlman's exemplary figuration with Canino's natural ebullience gave a natural buoyancy, Beethoven's Kreutzer and Bartók's Second.

Perlman's grasp of the Kreutzer seems to grow in weight and profundity — here the first movement was a serious affair, less lithe, athletic energy than stern, heaven-storming dialectic; which is not to say the playing was not always perfectly weighted and transparent, that too. And with tone of such bottomless resource the slow movement could be laid out most amply — tempi throughout the sonata were never hectic — and with such instinctive understanding between the players the finale could be a neat dialogue of asides and discursions, all contained within an absolutely lucid frame.

In Bartók's violin sonatas the performers often become enmeshed in the works' frantic technical challenges; here, those were taken without breaking stride, and the curious structure of the Second Sonata, its collisions of classical formalism and expressionist freedom, were teasingly explored. Perlman's handling of the first movement's main theme acquired a whole spectrum of tonal shades, his gathering together of the shards of the second was expert and always rhythmically acute, while Canino propelled the music with a marvellously comprehending energy.

The ethereal ending, the violin spiralling upwards, was breathtaking; the thread of tone was stretched ever more thinly yet never lost its focus or expressive strength. The encores came not singly but in a battalion of Heifetz arrangements, from the sickly sweet — a winningly sentimental piece by Ponce — to the electrifyingly brilliant, and contained the Three Preludes by Gershwin which Perlman delivered with absolute idiomatic sense and timing. A wonderful concert.

Andrew Clements

Two Victorian Comedies

NEW END, HAMPSTEAD

The pleasures and pitfalls of obscure revivals are both evident in The Magnificent Theatre Company's debut programme of two Victorian comedies, somewhat appropriately since the common theme of both is the pleasures and pitfalls of "theatricals". J.R. Planché's curtain-raiser *The Garrick Fever* is a little gem of mistaken identity harking irreverently back to Oliver Goldsmith and his ilk, while taking a good-natured swipe at Irish cultural pretensions and the boorishness of professional theatre management.

It is a direct forebear of the better Footlights revue sketch: urbane and accomplished, with a clubbish jollity that holds up 150 years after it was written because we still basically laugh at the same things. Although the curtain-raiser no longer exists on its own terms, it has a resonance in the era of three-minute culture that Planché's extravaganzas probably wouldn't have.

A Pantomime Rehearsal, *Cecil Clay's seasonal frivolity*, fares less well, even though it too sends up an all-too-familiar institution, the amateur pantomime. Clay was a talented dilettante who penned his play originally at a house party hosted by Sir Percy Shelley at Boscombe in 1884. It went to become a cult success in the United States and the West End, no doubt spurred on by the popularity of its author and his coterie.

Like many cult shows it shows signs, in retrospect, of having outgrown itself. Basically it is a two-joke piece which revolves repetitively around the bossy would-be auteur, who gives endless exasperated demonstrations to an impossible company of vain fairies, drunken robbers, and star-struck technical staff.

Ben Crocker's cast do remarkably well with a play that is not designed to elicit good acting but to show well-known people taking the mickey out of themselves. In the end, that is an insoluble problem. Lucie Fitchett and Moira Buffini make fetching fairies but they are not Binnie Hale and Evelyn Laye. Brian Shelley is an accomplished comedian and pianist, but the role of our gifted author calls for a celebrity whose own mannerisms are so well-known as to give body to those of the character.

The same cast make light work of *The Garrick Fever* under the direction of Lucy Fitchett, with particularly good work from Ben Crocker as the strolling player whose drunken impersonation of David Garrick supplies Planché with title and plot, and from the rich, pretentious widow of Valerie Boothman. Their efforts would undoubtedly have reaped bigger rewards had the programme been staged a month later, when it would have seemed a timely and witty riposte to the leaden fare of Christmas.

Claire Armitstead

John Zorn goes on tour

The Contemporary Music Network closes its autumn season with John Zorn's Naked City which will tour from November 29-December 10, following the opening performance at the Queen Elizabeth Hall in London on November 28.

Saxophonist Zorn's music has many influences, bringing in elements of jazz, classical, pop, blues and film in a single work. With him for the tour will be Bill Frisell, guitar; Wayne Horvitz, keyboards; Fred Frith, bass; and Joey Baron, keyboards.

Further details from (01) 629 9495, ext 334 or 336.

Hungarian Haydn

WIGMORE HALL

This autumn, London's concert life is dominated by Haydn: few things could be more wonderful. As an offshoot of the Barbican's "Magyarok" Hungarian festival and alongside the South Bank mainly-choral Haydn series, the Wigmore has proposed "Haydn at Esterhaza 1766-90," devised by Nicholas Kenyon.

This seven-concert chamber-music exploration, which perfectly complements the South Bank display of larger forces, takes a glance at the long years the composer spent at the Esterhazy establishment, secluded from the European mainstream, busy in every sort of musical occupation and (as he put it) "forced to become original." Friday's recital set baryton trios and fortepiano solos side by side: each of Kenyon's seven programmes achieves the same attractively varied mixture of sounds and forms.

The baryton — that curious double-personality large viol, capable also of harp-like plucking — was the favoured instrument of Haydn's princely employer. The enormous number of trios (baryton plus viola and cello) Haydn produced to satisfy his appetite contrive a characteristic combination of practicality (because the prince's abilities were limited), thoroughness in blend of voices and diverting invention.

Of the three trios played on Friday by the American Haydn Baryton Trio, No.52 in D was the charmer, with an expansively lyrical Adagio, introduced by opera-influenced recitative, and a pawkily comic Minuet "in limping style." The simplicity of the music is deceptive; the performers, led by the barytonist John Hsu (whose brief words on his instrument had their own pawky humour), struck an ideal note of domestic intimacy, so that the quirks and flashes emerged as it were of their own accord. The sound — baryton plus two "period" stringed instruments — was odd, and beautiful.

The two keyboard works described, not surprisingly, a much broader musical range. The Capriccio in G and especially the C minor Sonata, H.XVI:20, show a streak of emotional wildness, of testing an instrument and a musical idea to the limit, which the common view of this composer generally, and wrongly, excludes. Malcolm Bilson, who can be a disappointingly colourless Mozart performer, was here a marvellously bold exponent of Haydn, unfolding each line with fantasy, wit and daring and holding the listener spellbound.

Max Loppert

ARTS GUIDE

November 10-16

OPERA AND BALLET

London

Royal Opera, Covent Garden. One of the great masterpieces of post-Mozart Classical opera, Cherubini's *Médée*, returns to Covent Garden in a new production by Mike Ashman, conducted by Mark Ermler. It is — praise be! — sung and spoken in the original French, by a cast headed by Rosalind Plowright in the tremendous title role. Further performances of *Rigoletto*, in the Nuria Espert production conducted by Sian Edwards.

English National Opera, Coliseum. David Freeman continues his ENO Monteverdi productions with *The Return of Ulysses*. The conductor is Paul Daniel; Jean Rigby, Anthony Rolfe Johnson, Sally Burgess, Laurence Dale, and James Bowman lead the large cast.

Paris

Chatelet. *Fidelio* conducted by Lorin Maazel in a splendid Giorgio Strehler production with the Orchestre National de France and Warsaw's National Philharmonic Choir is co-produced with Teatro Alla Scala, Milan and Radio France (40282840).

Opéra. The Paris Opéra stars and ballet corps accompaniedby the Opéra orchestra conducted by Michel Tabachnik present a Diaghilev evening with *Petrushka, Le Spectre de la Rose, L'apres-midi d'un Faune* and *Les Noces* on the programme(47425371).

Vienna

Staatsoper. Ballet: *Ein Sommernachtstraum* conducted by Caspar Richter (Wed, Thur).

Brussels

Cirque Royal. Bejart Ballet Lausanne continues its Brussels tour with performances of *1789... et nous, Trois etudes pour Alexandre, A force de partir, Je suis reste chez moi, Hamlet* and *rites of spring*.

Amsterdam

Muziektheater. Ballet gala with international soloists and the Scapino ballet company (Tue). (255 455).

Berlin

Opera. *Rigoletto* in Hans Neuenfels' production features Gwendolyn Bradley, George Fortune and John Sandor. The ballet premiere will have three pieces, jointly choreographed by Jose Limon, Anna Sokolow and Christopher Bruce.

Hamburg

Opera. *Tosca*, the first premiere this season, produced by Giancarlo del Monaco, has a strong cast led by Leona Mitchell, Giacomo Aragall, Ingvar Wixell and Dieter Weller, conducted by Leonard Slatkin making his debut in Hamburg.

Bonn

Opera. *Aida* stars Grace Bumbry, Giorgio Zancanaro, Lando Bartolini, Francesco Ellero d'Artegna and Wilhelmenia Ferenandez and is conducted by Bonn's music director Dennis Russell Davies.

Frankfurt

Opera. *Rigoletto* returns with Michael Lewis in the title role and conducted by Gary Bertini. The new fascinating and lively *La Finta Giardiniera*, by producer Robert Carsen.

Cologne

Opera. The first co-operation between the Düsseldorf Opera and Cologne Opera is the new Wagner Ring cycle, produced by Kurt Horres. This week's offering, *Das Rheingold*, saw heavy reaction against the "new homes" definition of the cycle when it opened.

Stuttgart

Opera. *Tannhäuser* has fine interpretations by VerenaSchweizer, Ute Trekel-Burckhardt, Toni Kraemer and Matthias Hölle. *Elektra* a co-production with the Vienna Opera will have its premiere this week, produced by Harry Kupfer.

Barcelona

Lyric Opera of Chicago. *Eugene Onegin* opens the season at the Liceu, in the production conducted by Emil Tchakarov. Mirella Freni, Denes Gulyas and Wolfgang Brendel in the lead roles. Gran Teatre del Liceu (318 91 22).

Rome

Teatro Olimpico. The National Thai Dance Company performing traditional dances (Wed, Thur) (396304).

New York

Metropolitan Opera. The week features the first performance of the season of *Die Frau ohne Schatten*, in Nathaniel Merrill's production, with Eva Marton, Marilyn Zschau and Robert Schunk, conducted by Christof Perick. Continuing are *Rigoletto*, *La Traviata* and *Il Barbiere di Siviglia*. Lincoln Center Opera House (362 6000).

Chicago

Lyric Opera. Kiri Te Kanawa sings Elisabeth, Tatiana Troyanos is Eboli and Samuel Ramey is Philip II in the première of Sonja Frisell's production of *Don Carlo*, conducted by James Conlon, while performances of *Samson et Dalila* continue. Lyric Opera (332 2244).

Washington

Washington Opera. Ruth Ann Swenson is Lucia and Jerry Hadley is Edgardo in Roman Terleckyi's production of *Lucia di Lammermoor*, playing in repertory with *Così fan Tutte*, conducted by Leon Fleisher in Jean-Pierre Ponnelle's production with Elizabeth Holleque as Fiordiligi, Deidra Palmour as Dorabella and J. Patrick Raftery as Guglielmo. Kennedy Center Opera House (416 7800).

Tokyo

Ballet National de Marseilles. *Ma Pavlova*. Roland Petit's new ballet stars himself and Dominique Khalfouni. Bunkamura, Orchard Hall (461 0300).

Sibelius & Debussy

BARBICAN HALL

Paavo Berglund elected to open and close his Sunday-evening London Symphony Orchestra concert with two masterpieces of *plein air* composition — Sibelius's Sixth Symphony and Debussy's *La Mer*. It is perhaps rash to characterise the Sibelius thus (since it comes with no fixed programme); in Berglund's superbly frank and uncluttered outlining of the four movements, the sense of long unfolding vistas and pristine rugged landscapes was powerfully strong.

The special distinction that this Finnish conductor has acquired in the music of the great Finnish symphonist is, above all, that of total naturalness. The LSO's playing was fresh, bright-toned, balanced; there was no intrusive over-inflection of those elusive melodic lines, at once euphonious and compact, out of which this marvellously wise and subtle work is built. The movements seemed to grow effortlessly, to gather momentum of their own accord. The abrupt endings of each movement seemed just right.

Debussy's seascape, by notable contrast, was mysteriously dull in colour and flat in contour. Nothing in the performance went seriously amiss — even if in the final climaxes of both first and final movements the big brass cohorts tended to anticipate the conductor's beat — and the grading of the paragraphs according to the composer's tempo directions was studiously achieved. But the textures lacked the necessary ventilation; the placement of line upon line failed to achieve clarity of definition; there was no real rhythmic energy. The conductor seemed unable to penetrate the work's sound-world: an odd, frustrating experience.

In between Sibelius and Debussy, Barry Douglas came to give an edge-of-the-seat account of the Prokofiev Third Piano Concerto, crackingly supported by the LSO. The technical command was excellent: tempered steel, feathery lyricism, and propulsive urgency were all manifest with astonishing accuracy. There is room for a lot more fantasy, wit, teasing inflection, than the pianist has so far discovered — particularly in the opening flourishes — but the sheer physical excitement of the playing was considerable, and infectious.

Max Loppert

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Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday November 14 1989

Cambodia and the UN

WESTERN POLICY towards Cambodia has long been questionable. Since the withdrawal of the Vietnamese occupation forces earlier this year it has become indefensible, amounting to thinly disguised support for Pol Pot's barbarous Khmer Rouge clique which murdered an estimated 1m or more of Cambodia's 7m citizens during four years in power to 1978.

Most countries are quick to denounce Pol Pot's men and their litany of atrocities. But high moral words often seem to be matched by low moral deeds, so that the Khmer Rouge continue to obtain sophisticated weapons, cash, supplies and even training.

The Vietnamese, who removed Pol Pot's regime by invading in 1978, completed their withdrawal from Cambodia in September. Although the withdrawal could not be properly monitored, most countries including Britain accept that all Vietnamese combat units have indeed gone home.

Cambodia is therefore an independent sovereign state again; the fact that Hun Sen's Phnom Penh government was backed by Vietnam does not disqualify it from being judged objectively. Elections are needed to produce and legitimise a new government, but they cannot reasonably be organised while a virtual civil war is under way between Hun Sen's forces and the coalition of three opposition groups (the most powerful of which is the Khmer Rouge), under the titular leadership of Prince Norodom Sihanouk. At the very least the West could immediately cut off supplies to the Khmer Rouge and press the Bangkok government to seal the external supply routes from the Thai-Cambodian border to the Khmer Rouge jungle strongholds.

Missed opportunities

The West is missing important opportunities to isolate the Khmer Rouge and minimise the chances of their ever returning to the killing fields. Ignoring the fact that the Vietnamese occupation is over, the UN Credentials Committee recommended in October that the Sihanouk coalition should continue to occupy Cambodia's UN seat in 1990 rather than leave it vacant pending elections. Incredibly, the UN General Assembly feebly accepted this recommendation without a vote on October 17.

This makes western policy look contradictory. The US accepts that the group in which the Khmer Rouge is dominant should represent Cambodia as its legitimate government at the UN. The Americans also argue that the Khmer Rouge should be included in a quadripartite transitional government in spite of President Reagan having signed into law in 1988 a joint congressional resolution stipulating that: "the US in co-operation with the international community should use all appropriate means available to prevent a return to power of Pol Pot, the top echelon of the Khmer Rouge, and their armed forces so that the Cambodian people might genuinely be free to pursue self-determination without the spectre of coercion, intimidation and torture that are known elements of the Khmer Rouge ideology."

UK policy

British policy is equally bizarre: it too failed to push for the UN seat to be left vacant, thereby giving *de facto* recognition to the group including the Khmer Rouge. Mr Douglas Hurd, the Foreign Secretary, made some important changes to Cambodia policy last week, raising hopes that Britain might give a much-needed lead at the General Assembly debate on Cambodia which opens tomorrow. However, there are worrying signs now that Britain is backtracking and that its representative may not even speak in the debate.

Cambodia deserves better. Of the three western permanent members of the UN Security Council the US and France are constrained from giving a lead. Britain should show the way. Although the regrettable decision by the credentials committee cannot be reversed until next year, the tone of resolutions and debate this week can be adapted to make unmistakably plain that the Khmer Rouge must remain far beyond the pale. It would be quite wrong for Britain to shirk such an important humanitarian issue.

Harmonising corporate taxes

AS PROGRESS is made towards a single European market, the production, investment and sales activities of companies will increasingly be spread throughout the European Community. Corporate decisions ought to be based on strict economic criteria, such as the relative cost of production in different countries. At present, however, they are significantly influenced by differences in European corporate tax regimes. Some harmonisation of fiscal rules looks essential; the difficulty is finding reforms which do not threaten the political sovereignty of EC members.

In a recent report the London-based Institute for Fiscal Studies shows that the distortions caused by inconsistent corporate tax structures are surprisingly large. Consider the case of a British parent company deciding where to locate a wholly owned subsidiary. On average, if it invested in the UK, it would need a pre-tax return of 6.1 per cent in order to offer shareholders a post-tax return of 5 per cent. If it invested in Ireland, it would need only 4.7 per cent before tax in order to provide the same return to shareholders. In West Germany, however, the required pre-tax return would be 8.5 per cent – nearly four percentage points higher. British companies thus have a strong fiscal incentive to invest in Ireland rather than West Germany.

Fiscal distortion

This analysis focuses on the way tax regimes influence the location of investment. But there is a second kind of fiscal distortion which influences the relative success, in any given market, of companies from different EC countries. According to the IFS figures, in order to earn a 5 per cent post-tax return for shareholders, a Belgian subsidiary in the UK would need to earn a pre-tax return of 5.7 per cent, but the subsidiary of a Portuguese company would have to earn 7.0 per cent. In other words, Portuguese companies operating in the UK home market face a tougher fiscal regime than their Belgian counterparts. Other things being equal, there is likely to be more foreign investment from Belgium than from Portugal.

If the ideals behind the single market programme are to be realised then both sorts of distortion ought to be removed. This means eliminating tax incentives which encourage companies to locate in one country rather than another and ensuring that companies from different countries operating in the same market enjoy the same tax regimes. But the only way to achieve full neutrality would be to require identical tax systems, rates and bases in all member countries. Such an economically desirable outcome does not look politically feasible. Yet if member states retain separate corporate tax regimes, changes which ameliorate one type of distortion may exacerbate the other.

Residence or profits

The choice is between basing corporate taxes on the residence of the parent company or on the source of profits generated. If the effective tax rate depends primarily on the parent's domicile, then the decision on where to locate production and investment will not be distorted. But in any one market, subsidiaries from different countries will face different tax burdens. If the effective tax rate depends primarily on the source of profits, as is broadly the case in the EC today, then the situation is reversed: tax considerations influence the location of investment but do not seriously affect the relative treatment of companies from different countries in a given market.

The IFS report favours a shift towards residence-based corporate taxation on the grounds that it is important to ensure that the location of investment is not distorted. This would involve some loss of sovereignty in that countries could determine the tax rate on domestic companies but not on all business activity within their borders. It advocates the abolition of withholding taxes on dividends and interest throughout the EC as a first step towards fiscal rationality. This would be a highly desirable reform and a test of member states' willingness to contemplate a more ambitious reformulation of corporate tax codes.

FOREIGN AFFAIRS

The time to take Mr Genscher at his word

Edward Mortimer considers the implications of events in East Germany for the European Community and for Britain

"THE GDR IS not an 'eastern' country like any other. It can enter the Community whenever its citizens so choose."

In the Berlaymont building in Brussels, as in so many other places last Friday, European Community officials were reaching out for pieces of mental furniture as they sought to preserve their balance. Old statements of principle, long ignored in dusty corners of official documents, are being dragged into the sunlight and often give off a rather surprising glint.

Columnists had to revise their agendas too. My own inquiries last week, in a rapid swing through Bonn, Hamburg, Paris and Brussels, were originally directed at a clearer understanding of the drive towards European federalism, which seems to be causing so much anguish in Britain. Inevitably I found that, in fact, most of my conversations focused on events in East Germany and their implications for Europe's future.

The two subjects are not unconnected. But perhaps there is a temptation to make the connection more direct than it really is.

The European Community, I was told both in Paris and in Brussels, is a formidable magnetic pole ("pole d'attraction"). All its neighbours are drawn towards it, and its success, contrasted with communism's failure, is one of the reasons why the thirst for change in eastern Europe is so strong. "The more things change in the East, the more essential it is that the magnetic pole be strengthened." Which means, apparently, that it is more urgent than ever to forge ahead towards economic and monetary union and to enact the Social Charter.

This argument will not do, or at least not in that form. The real magnetic pole, as far as eastern Europe is concerned, is not the European Community as such but the western model of political freedom combined with economic prosperity. This has indeed been rather convincingly exhibited in western Europe over the last four decades, and the Community has made an important contribution. The 1992 programme is bringing new advantages which neighbouring countries are naturally anxious to share.

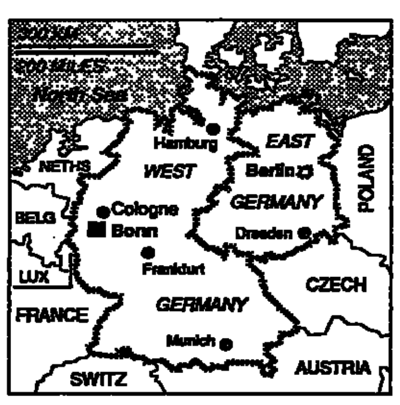
But that means that the "magnetic pole" aspect of the Community is already very strong. In fact it is causing some problems both for the EC itself, besieged with competing requests for special treatment, and for the neighbouring countries which have difficulty competing for investment, see their skilled manpower being sucked into the Community labour market, and fear that their products will be at a disadvantage. The need to further strengthen this magnetic pole is far from self-evident.

In fact the specific agenda which the Community is now wrestling with has very little to do with events in East Germany or elsewhere in eastern Europe. The arguments for it are mainly internal. Monetary union, and some form of economic union, are seen as necessary if the single market is to be fully realised.

The former West German Chancellor Helmut Schmidt, co-founder of the European Monetary System, bangs his fist on the desk impatiently at the suggestion, so earnestly peddled by British ministers, that Britain is as a good a member of the Community as any and in the forefront of the single market programme. "Never in history," he declares, "has there been a single market with 11 currencies."

As for the Social Charter, that is seen in the higher reaches of the Brussels Commission, as essentially a "utilitarian" measure, of mainly symbolic importance, necessary in order to "remove certain obstacles to the single market" – in other words to buy off potential opposition from trade unions and socialist parties.

Beyond this immediate agenda of European monetary union and the Social Charter lie vaguer plans for institutional reform, alluded to rather cryptically by Mr Jacques Delors, president of the European Commission, in his recent speech when he said that the Community's present ruling "triangle" – Council of Ministers, Parliament, Commission – was "insufficient" to respond to the challenge of "the accelerations of history," by which he meant apparently the



changes in eastern Europe.

It can indeed be argued that these changes are showing up a weakness in the Community's decision-making machinery. Mr Schmidt was surely right to say that next month's EC summit in Strasbourg, rather than "bickering" about such matters as Emu, should propose a "plan for recovery and industrial modernisation and innovation . . . to assist the reform process" in eastern Europe.

Such a plan, he suggested, should be launched under French political leadership (though with support from Chancellor Kohl and ideally also from Mrs Thatcher) but financed mainly by West Germany. But when I asked in Paris whether any such proposal was likely in Strasbourg I was told that the initiative in this matter lay with the Commission. France's own energies are absorbed, in the run-up to the summit, by the effort to secure decisions on the Social Charter and on the holding of an inter-governmental conference on Emu late next year.

On that last point Mr Kohl has been dragging his feet, apparently because he would like to get next November's general election out of the way before committing his government to any specific plan for monetary union. The Bundesbank's reservations about the Delors Plan are by now well known, and Mr Theo Waigel, West Germany's Finance Minister, is believed to fear that these technical arguments could be translated into a nationalist political campaign by the right-wing Republican Party on the theme of "hands off the D-Mark." But the Foreign Ministry under Mr Hans-Dietrich Genscher takes the French side, arguing that the EC must forge ahead precisely in order to forestall any resurgence of German nationalism.

As usual when faced with conflicting pressures, Mr Kohl is playing for time. Understandably he now wants to put East Germany on the summit agenda, but last week his advisers were also developing the argument that the summit should concern itself with the issue of institutional reform, and in particular with the powers of the European Parliament. It would be difficult, they suggested, to have a succession of inter-governmental conferences producing a succession of amendments to the Rome treaty, each of which would have to be separately ratified by national parliaments.

Since Emu would involve some institutional changes in any case, would it not be better to treat all the issues in a single conference? This was not advanced ostensibly as an argument for delay, but it could easily become one, since the mandate for a conference charged with a broad reform of the EC's institutions would presumably take longer to thrash out.

The aim of institutional reform would be to make the Community more democratic, by giving greater powers to the European Parliament and possibly also improving the co-ordination between it and national parliaments, and also to make it possible to take decisions faster in future. Probably the Commission would acquire more governmental or quasi-governmental powers, at the price of being made more effectively accountable to the European Parliament. The Community would thus become more of a federation, less of an association.

If such reforms were already in force no doubt the Community would be better equipped to take up the role of fairy godmother to emerging democracies in the East, in which history seems to have cast it. The trouble is that the "acceleration of history" is happening now. Events in eastern Europe will not wait for the cumbersome process of institutional reform in the Community to be completed. As a response to those events, therefore, such a reform is largely irrelevant. Argument about it may all too easily distract the Community from the more urgent task of devising a response that would be relevant.

The real argument for accelerating the integration of the Community is defensive, not offensive. It springs from the fear that the clamour of new would-be members will combine with a change of heart in Germany to undo much of the integration that has already occurred. This prospect is already being welcomed by many British commentators who, it seems, have never really accepted the defeat of Mr Reginald Maudling's effort, back in the 1950s, to bring about a broad free trade area rather than an economic and political union.

But on the Continent it is treated with uniform dismay. People there remember that the true purpose of European unity, as devised by Jean Monnet and sold by him to Konrad Adenauer and Robert Schuman, was to make another war impossible by forging indissoluble links between the economies and societies of the main European countries – starting with what were then the most "strategic" industries, iron and steel.

One could say that for its first 40 years this enterprise has been redundant, since peace in Europe was secured by the presence of large occupying armies from the two superpowers, and by the nuclear balance of terror. It is now that its true value is going to be put to the test.

The reason is not German unity, which in itself will make little difference, since West Germany by itself is already the largest, most prosperous and potentially most powerful state between America and Russia, and the addition of the East German economy would be if anything a handicap. More to the point is the recovery of German sovereignty which would be the likely concomitant of unity, since without the division into east and west the excuse for keeping foreign troops on German soil will disappear. The superpower policemen are beginning their withdrawal, and if they go through with it they will leave behind a Continent in which Germany is again the strongest power.

In western Europe that should not worry us too much because Jean Monnet's vision has been realised. Our economies, societies and political systems have interpenetrated to the point where war is indeed unthinkable. The same is not true of eastern Europe because the stifling conditions of Stalinism did not permit any comparable growing together of the societies there. Peace was maintained only by the superpower policeman and his locally recruited subordinates. Even those subordinates had no real affection for each other, and under them the societies remain almost as poor, frustrated, mutually ignorant and resentful as in the 1930s.

There seems to be a British view that this calls for a return to Britain's traditional role in European diplomacy, of staying on the sidelines but maintaining a rough balance of power through support for coalitions of the weak against the strong. But few people on the Continent feel any nostalgia for that sort of world. For them Jean Monnet's achievement is precious and its unravelling is what above all must be prevented. The original five partners of West Germany in the EC, and maybe others, will bind themselves more closely to the new Germany precisely to avoid falling back into the era when western powers sought east European allies against each other, and so were dragged into east European quarrels.

Germany itself, at least through the mouths of its present leaders, is making the same choice: not shaking free of its European shackles but seeking to strengthen them so that a united and benevolent western Europe can open its arms to the long-lost and traumatised brothers from the East.

Some doubt the sincerity of those German leaders, but one of them coined a controversial slogan two years ago which has proved to be of some value. "We must take Gorbachev at his word," said Hans-Dietrich Genscher, meaning not that we should take him on trust but that we should hold him to what he was saying. In that sense too, when Mr Genscher sides with the French on the need to strengthen the Community, insisting there is no contradiction between Germany's opening to the East and its western commitments, Europe's response should be to "take Genscher at his word."

OBSERVER

Europe takes to art

■ The European Community has appointed its first official artist. He is a 52-year-old Dane called Peter Nyborg.

The event will be marked on December 5 with the unveiling on the 13th floor of the Berlaymont Building – the Community's headquarters in Brussels – of a Nyborg painting titled "The Creation of the 1992 Single Market".

The painting is an abstract, an explosion of colour in the school of the Danish Cobra painters, or as the catalogue note to an exhibition of Nyborg's work in Copenhagen recently put it: "The spontaneous, abstract, rhapsodic expressionism."

Nyborg, who lives in a château in the Loire Valley and has studios in Copenhagen and London, thought of the idea of an official artist himself. He persuaded Henning Christophersen, Denmark's Commissioner in Brussels, of its merits and Christophersen is expected to unveil the work.

The painting has been donated to the Community by Nyborg in return for patronage. Next year a lithograph of "The Creation of the Single Market" will be sold throughout Europe by EC offices. The money raised will go to a fund, the proceeds of which will be used to find European talent and to hold annual exhibitions of their work.

Londoners will soon have an opportunity to see Nyborg's work. A one man exhibition of his paintings opens on November 27 at the Visitors' Gallery of the Lloyd's building.

Hammer's back

■ Armand Hammer, the 91-year old head of Occidental Petroleum, is expected to return to work today after being fitted with a pacemaker last week.

Shares in Occidental jumped $3 to $31 last Friday on reports that he was in intensive care, but fell back again yesterday when Occidental was one of the most actively traded stocks.

A spokesman at the UCLA Medical Center, where Hammer has been a patient since since November 8, said he was in good condition when he left the hospital on Sunday.

History lesson

■ From the current edition of Financial Weekly: "British business with the Soviet Union had its finest flowering with the Muscovy Company (founded 1553) and, apart from a brief renaissance under Tsar Nicholas II, has never quite recovered."

Peace delayed

■ The implications of the imminent outbreak of peace in the European military theatre seem to be even more confusing for stock market analysts than the politicians. Shares of major UK defence contractors like British Aerospace, Vickers, Lucas, Ferranti and Rolls-Royce have underperformed over the last week, but by nowhere near enough to suggest that these companies are going to be put at a bigdisadvantage.

Rory Sweetman of BZW says the consequences could be "absolutely appalling", but admits that the vagaries of the Vickers' share price, for example, are still dominated far more by the activities of a corporate predator like Sir Ron Brierley than concerns about cutbacks in the number of tanks it will now build.

Colin Fell of Kleinwort Benson says that current events are likely to make the West Germans even bigger ditherers than before in collaborative multinational projects and must cast a shadow over the

"I'm a stalking horse, but I'd rather not reveal my true identity."

future of the European fighter project.

However, James Capel's Ewan Fraser sees little cause for immediate concern and Mike Styles of Smith New Court says that the main impact will be in depressing the price of the various defence bits of Racal, Ferranti and Thorn-EMI, which are already on the auction block.

Texan summit

■ The international economic summit commutes between the seven major industrial democracies, and the next will be held in the US. Since there are so many Texans in the White House these days, the Lone Star state is likely to be favoured with the presence of the seven heads of state or government, their sherpas and spear carriers and the world's press.

Houston and San Antonio are the hot favourites, with the safety of the summiteers probably determining the outcome. Although a summit in the Alamo would be charming, it does not have much of a reputation for security: the former Spanish mission house was the last redoubt of Texans fighting Mexico in the 1840s.

The people of Houston think they they have the inside track, says Katherine Whitmire, the city's mayor, who is visiting London to promote a British cultural week in Houston next year. Whitmire was re-elected for a fifth two-year term last week.

After all, she might have added, James Baker, the Secretary of State is a Houstonian, as is Robert Mosbacher, the Commerce Secretary, and President George Bush represented the city in Congress. Rice University is the likely site, she says.

Life in the Sun

■ An example of the new life-style: Dennis Edensor kisses his wife goodbye at 6.25 am on the outskirts of Inverness before dashing off to catch the 6.50 am to work.

But, unlike most commuters, he does not head for the station: he is booked on the morning Dan-Air flight to London's Heathrow airport. Edensor's work-place is 460 miles away at The Sun newspaper in Wapping, where he has been a news sub-editor for 14 years. By 8 am he is at Heathrow and soon on the Underground to Docklands.

He says that the work rota, giving a long weekend every three weeks, and the £90 Dan-Air return fare, make it worthwhile to have a four-bedroom house with a large garden for his wife and two children in the Scottish air, while he puts up in a shared flat in Camberwell when working.

Service costs

■ A Norfolk vicar who recently appealed in his parish magazine for suggestions on how to raise church funds received the response: "Try a 10 per cent service charge."

LETTERS

The unthinkable must not happen again

From Professor Subrahmanyan Chandrasekhar and other Nobel Laureates.

Sir, Ten years ago the conscience of the world was stirred by the terrible suffering of the Cambodian people. The Vietnamese invasion and the fall of the genocidal Pol Pot regime revealed horrors on a scale not witnessed since the liberation of the Nazi concentration camps in 1945. The country lay in ruins. Its people were on the verge of starvation, and everywhere the grisly remains of the hundreds of thousands killed during the three and a half years of Khmer Rouge terror (1975-79) were all too plainly visible.

The public response to this tragedy was overwhelming. Around the world, ordinary people gave unstintingly to help the Cambodians rebuild their shattered lives. Despite the 1983 Western aid embargo, international humanitarian agencies co-operated with the Vietnamese-installed Phnom Penh Government to ensure that Cambodia would never again suffer starvation on the scale of 1979-1980. This effort was paralleled by the remarkable achievements of this new government in re-establishing basic administrative structures and economic life. In under 10 years, Cambodia was able to rise again from the ashes of the Pol Pot massacre.

But this achievement has already been threatened by the possibility of a Khmer Rouge comeback. Thanks to Chinese and Western support, the Khmer Rouge was able to rebuild itself as a military force in secure bases on Thai sovereign soil. The rationale put forward for this was the need to force the Vietnamese to withdraw from Cambodia.

That has now been achieved, with the removal of the last Vietnamese forces in September this year. But their departure has opened the way for a new Khmer Rouge offensive, with all the appalling consequences that will have for the Cambodian people. What was once a threat has become a reality.

In September 1988, as individual Nobel Laureates, we agreed to sign a petition to the United Nations Secretary-General, Mr Javier Perez de Cuellar, urging that the Khmer Rouge be evicted from its control of the Cambodian seat at the United Nations, a seat which it has held continuously since its fall from power in 1979.

We also urged that the present Cambodian Government in Phnom Penh should be accorded *de facto* recognition pending the holding of internationally supervised free elections in Cambodia, in which the non-communist resistance groups of Prince Norodom Sihanouk and ex-Premier Son Sann would be allowed to participate.

We made this plea on strictly humanitarian grounds, believing that the only way forward for Cambodia and its long-suffering people was a political settlement which completely excluded the Khmer Rouge leadership.

Our concern has been heightened by the events of the past year. The Tiananmen incident in June, the breakdown of the Paris International Conference on Cambodia in August, and the unilateral Vietnamese troop withdrawal the following month, have created new dangers and opportunities for Cambodia. The isolation of China – the main international backer of the Khmer Rouge – is particularly significant and, we believe, offers the world community an opportunity to ensure the "marginalisation" of the Khmer Rouge by severing its Chinese supply lines, and removing it from the United Nations when the question of the Khmer Rouge seat is debated in the General Assembly tomorrow and on Thursday (November 15-16).

In 1979-1980, the world responded magnificently to the desperate plight of the Cambodian people. Ten years on, there is once again a need for an important international effort, this time to prevent the unthinkable happening in Cambodia, and ensuring that its people are forever liberated from the fear of Khmer Rouge tyranny. We would like to see a significant UN presence in Cambodia. We also urge the major powers – especially the United States, the USSR, Britain and France – to take a lead in charting a new course for Indochina, and guaranteeing the perpetual exclusion of the Khmer Rouge leadership from positions of power in Cambodia.

Subrahmanyan Chandrasekhar
(Astrophysics, India),
William Golding
(Literature, UK),
Dorothy Hodgkin
(Chemistry, UK),
B.D. Josephson
(Physics, UK),
Mairead Corrigan Maguire
(Peace, Ireland),
Nevill Mott
(Physics, UK),
Abdus Salam
(Physics, Pakistan),
Robert Merton Solow
(Economics, USA),
Desmond Tutu
(Peace, South Africa),
E.T.S. Walton
(Physics, Ireland),
Elie Wiesel
(Peace, USA)

EC working hours

From Mr Peter Brighton.

Sir, Before Mr Denis MacShane loses sight of the real world ("Equal EC working hours," Letters, November 9) he might pause to consider the working hours of the country from which he writes.

The Swiss engineering industry works a 40 hour week. To accommodate the needs of both workforce and company, special working time systems are agreed on the basis of an average 40 hours. Actual time worked varies between 35 and 45 hours, and overtime is paid if hours exceed 45.

In the UK the employers have offered a 37½ hour week in return for the sort of cost offsets given in Germany. It is these cost offsets which are the indispensable essential for any reduction in working time.

Across the 12 European Community member states the working times of the engineering industries are:
Belgium, 37 hours;
Denmark, 37½ hours;
France, 38½ hours;
Germany, 37 hours;
Greece, 40 hours;
Holland, 40 hours;
Ireland, 40 hours;
Luxemburg, 40 hours;
Portugal, 42 hours;
Spain, 40 hours;
UK, 39 hours (37½ on offer).

In the light of these factual figures one wonders with which country Mr MacShane thinks we should be equivalent.

Peter Brighton,
Director-General,
Engineering Employers' Federation,
Broadway House,
Tothill Street, SW1

Dumping at discretion

From Mr Ross Denton.

Sir, Mr David Kynaston's reply (November 7) to my letter (October 17), like Mr Knorr's article (October 5), requires a response.

First – although the issue is not addressed in my letter – I am in favour of competitive dumping if the only alternative is bureaucrats setting prices which are supposed to be fair.

Second, Mr Kynaston asks: "By what right could users expect the continuation of such prices regardless of the proven damage to the European semi-conductor industry?"

Articles 11(1) and 12(1) of Regulation of 2423/88 (the Community anti-dumping regulation) give the EC the discretion not to impose anti-dumping duties where it would not be in the interests of the Community to do so. This power includes the need to protect users access to dumped and injurious imports.

In the 1988 GATT panel report on semi-conductors the EC argued that Japan should not impose border restraints on exports deemed by the US to have been dumped since importing nations have the sovereign right to determine their import policy.

Both these facts imply that the EC grants to itself the right to accept dumped and injurious imports. While this right is not one EC users can claim, it makes a mockery of the "dumping is always bad" argument we so often hear.

Ross Denton,
Baker & McKenzie,
Aldwych House,
Aldwych, WC2

Windfall taxes

From Mr R.J. Graves.

Sir, With a further round of provisioning now under way, justification for the windfall tax imposed on the clearing banks early in the 1980s should be reconsidered.

Windfall taxes were alleged to be justified on seemingly high profits which – it was argued – were exceptionally brought about by the economic conditions then prevailing. In particular those profits originated from business the banks were pressed to do (by the Bank of England) in recycling oil wealth. The provisioning exercise is now proving that, to a large extent, those profits were fictional.

At the time the tax was levied on the basis that "the banks can afford it," and "the country needs the income." Now the reverse is true: tax revenues are yielding a large surplus, and the banks need to strengthen their capital base.

The argument for a refund of those taxes is self evident. Or is it still – as I fear – a case of "Heads, the Treasury wins, Tails, the banks lose"?

R.J. Graves,
Pheasant Cottage, Millbridge,
Frensham, Surrey

Dilemma set in stone

From Miss L.B. Radway.

Sir, Lucky old Gerald Cadogan, visiting Stonehenge once or maybe twice in a lifetime (Weekend FT, November 4). As the poor soul who has to visit it once a week, winter and summer, in all weathers, I do not relish the extra two miles walk through the elements.

Everyone agrees that something should be done. What should be done is to separate passing trade from the serious visitor who may have travelled 12,000 miles to see this ancient ring of stones.

During the summer months the car park is full of families en route for the west of England (Stonehenge just happens to be a good halfway stop for the lavatory, snacks and drinks, and a first – or last – snapshot view). English Heritage could save millions by getting someone else to build services a mile or so east on the A303 road between Amesbury and Stonehenge.

Built on the brow of the hill (not down in a dip, like those services proposed), this would satisfy the passing trade, and English Heritage would only have to spend a fraction of tax payers' money improving what it has got.

L.B. Radway,
85 Warwick Way, SW1

Moral warning

From Mr Edmond Jackson.

Sir, Richard Thornton argues (November 4) that a genuine, efficient capital market must not be hampered by "bureaucratic interference" like the turnover tax I suggested. But how can the equity market's pricing be "efficient," when persistent examples exist of predators being able to acquire companies at a significant discount to intrinsic value?

Fresh ideas on intervention, which escape black and white "bureaucracy *v.* freedom" terms, are badly needed if financial markets are to serve industry better. If, say, valuations in currency markets require intervention to help businesses with planning, why should quoted companies be made hosts to those with the muscle to exploit short-term quotations and loyalties in the equity market?

For example: unless those who sold their DRG shares act more responsibly as business owners, they may help bring about a more severe interventionist hand.

Edmond Jackson,
Chenies, Butlers Dene Road,
Woldingham, Surrey

'The Government should heed northern business voices'

From Mr H.M.P. Robinson.

Sir, Paul Cheeseright's article (November 8) on the introduction of the uniform business rate (UBR) does not adequately reflect the consequences of the UK Government's plans as they affect north of England firms.

The effect of a uniform business rate – coupled with revaluation – should have been to reduce substantially northern companies' rate bills from next April 1, with beneficial results on employment. But in order to protect southern English firms from substantial increases, their rate rises are to be limited to 20 per cent in real terms.

This, at least, Mr Cheeseright makes clear. But to protect Government revenues, the reduction for northern firms is to be limited to 10 per cent (or 15 per cent, for small premises) less inflation.

The Merseyside Chamber of Commerce finds this manifestly unfair. Northern companies have been overpaying rates for many years, partly because of absence of revaluations since 1973 (the Government cancelled the 1982 revaluation when it was in progress.)

The chamber has urged the Government to adopt an alternative method of funding the protection for the south of the UK. Under schedule 7 of the 1988 Act, the Secretary of State has powers to increase the UBR so that all businesses pay a few per cent more. Those scheduled to benefit from the changes next year would therefore receive the advantage immediately, with dramatic effects on employment prospects and profitability.

UK Government spokesmen still maintain that the effects of phasing will only be felt for about five years. This is quite incorrect. While most firms have not yet received notice of their new valuations, certain ones which have obtained such information calculate that they will not be paying their "true" rates until the next century.

The overall changes could have resulted in a considerable boost for north of England companies if the "phasing" measure had not been introduced. As it is, the Government seems set on upsetting all firms in the UK. Southern firms inevitably will not like paying more, even though their annual increases are limited to "only" 20 per cent. Northern firms will suffer the benefits to which they are entitled being excessively delayed.

It is not too late to ameliorate the situation. The "phasing" powers are on the statute book, but the quantum remains in the purview of the Secretary of State. This chamber seeks maximisation for its members of the benefits that UBR plus revaluation should bring. The Government should heed the voices of all business organisations in the north, and act swiftly.

Keith Robinson,
Director, Merseyside Chamber of Commerce & Industry,
1 Old Hall Street,
Liverpool, Merseyside

Ulster's chronic productivity gap

From Mr David Hitchens and Mr Esmond Birnie.

Sir, Professor Norman Gibson should be commended for his forthright criticism of the status quo in economic policy-making in Northern Ireland (November 1). As he says, 40 years of active regional policy have conspicuously failed.

But we would place much more emphasis on the need to enhance Northern Ireland's competitiveness through productivity gains as opposed to real wage cuts. Existing industrial development policy does not focus sufficiently clearly on achieving at least Great Britain's productivity levels. Indeed, present policy has made the situation worse: grants to maintain employment have acted as a cushion against the consequences of inefficiency.

Northern Ireland manufacturing is characterised by a chronic relative productivity gap. Levels of value-added per head average only four-fifths those in Great Britain – little improvement since the earliest industrial census of 1912.

Neither can most of this poor performance be accounted for by inadequate investment or any measurable local disadvantage (costs of transport, costs of energy, costs of the Troubles). Productivity gains are most likely to arise from improvements in Northern Ireland's human capital, inferior (relative to Great Britain) on such direct measures as R and D, technological innovation, personnel with university and technical degrees, and proportion of the labour force with no formal qualifications.

Our comparison of factories in Northern Ireland with West Germany illustrates the full range of symptoms of the so called "British disease." Because Northern Ireland has also the worst productivity record of any UK region, it is likely that some or all of the problems are even more intense here.

The needs of longer term development require that these problems be recognised and seen to be impartially researched, with special emphasis on how the grants might be reallocated to achieve greater value for money.

In our experience, there is an over-sensitivity to such critical analysis. Professor Gibson's suggested wage cuts may enable Northern Ireland to compete more successfully against newly industrialised countries, but it will only be able to generate higher living standards when it is able to compete in the more sophisticated markets shared with West Germany.

David Hitchens,
Esmond Birnie,
The Queen's University of Belfast,
Northern Ireland

Sardines want change

Michael Prowse argues for more central government involvement in London's transport system

In this week's Autumn Statement, the Government is expected to announce that the Jubilee line will be extended into London's Docklands, but that public money cannot be found to ease chronic congestion in central London. Innovative plans for railways running under the capital, put forward by the Central London Rail Study, are likely to be shelved.

Future efforts to ease overcrowding – if any materialise – will probably involve inexpensive extensions to the Underground network rather than new cross-city railway gauge links of the kind taken for granted in European cities such as Paris and Frankfurt. Radical improvements in London's transport system are thus likely to be postponed until well into the 21st century.

This inability to plan for the future marks a sad contrast with the events of a century ago. In 1889, London was on the brink of creating the world's most advanced public transport system. The City and South London Railway, the first "tube" buried deep underground, was about to open. Within a decade, a central line linking Shepherd's Bush in west London and Bank in the City would be operational. Early in this century, the tube network as we know it today was largely complete.

A century later, London has one of the most primitive public transport systems in the developed world. Successive governments, like the dozy managers of a declining business, have failed to invest in new capacity. By international standards, the tube trains are noisy, old and unreliable. The quality of much signalling equipment is so poor that trains have to be run at a slower frequency than was commonplace in the 1940s.

In January it seemed, at last, as though something might be done. The Department of Transport published the Central London Rail Study. This revealed that peak and off-peak traffic on the Underground has grown by 35 per cent and 30 per cent respectively since 1980. In the rush-hour, overcrowding on much of the network far exceeds official guidelines. Some 25 Underground stations are already chronically congested; the total is expected to rise to 35 or 40 by the end of the century.

The study said measures to upgrade the existing infrastructure would not solve London's longer-term transport problems. Conservative estimates suggest traffic will grow by a further 20 per cent in the 1990s. Substantial new investment is thus required simply to prevent a further decline in the quality of the service. But what kind of new capacity?

Glance at a map of London and one of the root causes of present strains becomes obvious. Both the Underground and Britain's rail network were largely built by profit-seeking private entrepreneurs. The private sector has many virtues but the planning and co-ordination of services is not among them. As a result of competition in the 19th century, central London is ringed by a ludicrously large number of rail terminals: no other capital city is saddled with the equivalent of Victoria, Waterloo, Charing Cross, London Bridge, Liverpool Street, King's Cross, Euston, Paddington, and Marylebone stations.

One of the big problems is that these terminals are not properly linked. Trains approach London from all directions, but have to stop on the edge of the central area, before most of their passengers have reached their final destination. Some of the worst congestion occurs at the main rail terminals such as Victoria and Waterloo as passengers fight their way on to already overcrowded Underground trains. Much of the overcrowding could be avoided if a BR train approaching London from, say, the west were able to run straight through the central area and emerge in the east. If such services were available, many commuters would not need to use the Underground.

Britain's capital city cannot rely forever on Victorian infrastructure

The Central London Rail Study recognised this logic and put the case for BR-gauge tunnels joining Liverpool Street in the east with Paddington and Marylebone in the west, and Euston/King's Cross in the north with Victoria in the south. The capital cost of the two tunnels would be around £2bn. The east-west "cross-rail" would be particularly effective in reducing overcrowding on the Underground. The overall economic benefits were estimated to exceed costs by some 60 per cent.

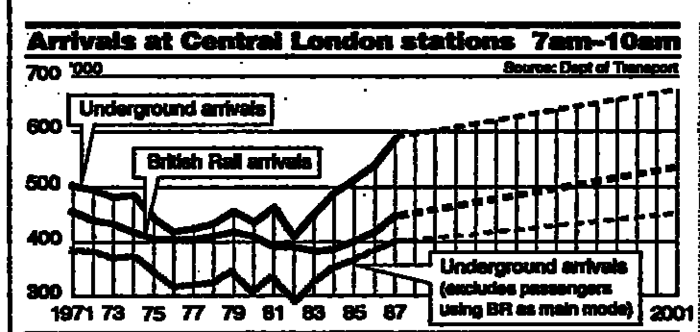
The capital city cannot rely forever on Victorian infrastructure. If transport in London is to be radically improved in the 1990s, an imaginative leap of some kind is required. Cross-rail links, which would offer Londoners the prospect of transport services comparable to the Paris RER and the Frankfurt S-Bahn, are the logical way forward. So why is the Government dragging its feet?

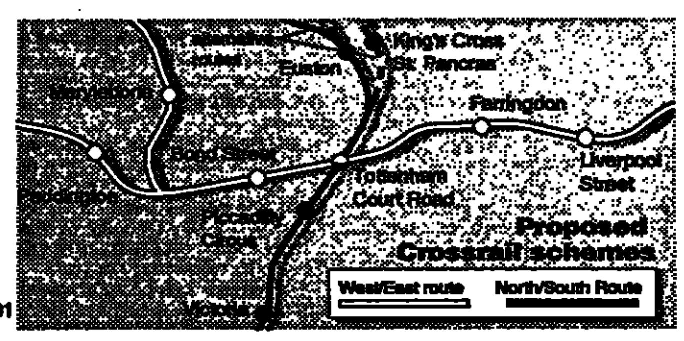
The main reason seems to be the difficulty in attracting private sector capital. The Jubilee line extension is popular with ministers because the costs are likely to be shared with Olympia & York, the property developer.

Olympia & York is likely to support the project because the profitability of its Canary Wharf office complex will be dramatically increased by better public transport links. The economic and social benefits of, say, east-west cross-rail almost certainly greatly exceed those of the Jubilee extension. But they are more diffuse: no single company stands to gain so much. Private capital is therefore much harder to tap.

The Government's approach to transport infrastructure is illogical. Decisions about projects should surely be based on a strict assessment of the overall social costs and benefits, not on the financial support available from particular private sources. Companies undoubtedly benefit from improvements in public infrastructure; but the best way to exact a contribution from them is through the taxation of windfall development gains.

The people who live and work in Greater London deserve a better transportation system. Extensions to the Underground, while welcome, are no substitute for BR gauge tunnels, which could transform the efficiency of rail services throughout the south East. But as London lacks its own elected authority, nothing can happen until central government faces up to its responsibilities. The human sardines obliged to use the Underground during peak hours must hope the light will dawn sooner rather than later.





FINANCIAL TIMES
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JAPANESE TRADE FIGURES

Weaker yen boosts imports by 16%

By **Ian Rodger** in Tokyo

JAPAN'S trade negotiators, under attack by trade ministers from other industrialised countries meeting near Tokyo this week, received a timely boost yesterday from monthly trade figures.

The country's merchandise trade surplus fell for the sixth successive month in October, tumbling to $4.66bn, 39.4 per cent lower than in October 1988, according to figures published by the Ministry of Finance.

Exports fell 1.9 per cent to $22.98bn while imports rose 16.3 per cent to $18.3bn on a customs-cleared basis, indicating that Japan's markets are becoming much more receptive to imports.

However, the weakening of the yen has played a significant role in the decline in the value of exports and the rise in the value of imports. According to Mr Ken Courtis, an economist with DB Capital Markets in Tokyo, more than a third of the reduction of the surplus was attributable to exchange rate movements.

The trade surplus with the US dropped 20 per cent to $3.8bn. Exports to the US were down 5.2 per cent to $7.9bn while imports from the US rose 15.5 per cent to $4.1bn. The trade surplus with other leading trading partners also declined. That with the European Community narrowed slightly from $1.8bn to $1.7bn, in spite of a 3.8 per cent rise in exports to $4bn, while the surplus with Asean (Association of South-East Asian Nations) countries dropped from $171m to $134m.

On a seasonally adjusted basis, the overall trade surplus fell from $5.5bn in September to $3.8bn last month.

Big increases in imports of office machinery (up 41 per cent), video cassette recorders (up 22 per cent) and electronic components (up 24.5 per cent) last month show that the fruits of Japanese industry's moving of production offshore, mainly to neighbouring Asian countries, are beginning to appear.

Despite the effects of the weakening yen, the volume increases in imports of many products were impressive. Car imports, for example, were up 44.4 per cent in value but 18 per cent in volume. Textile imports were up 33 per cent in value but 13 per cent in volume.

Exports also remained resilient in volume terms. Exports of televisions dropped 21.8 per cent in value but only 5.7 per cent in volume, while exports of video equipment were down 13.1 per cent in value but up 4.7 per cent in volume.

Uruguay Round, Page 12

Rebels 'step up attack' in El Salvador

By **Lionel Barber** in Washington and **Tim Coone**

EL SALVADOR'S left-wing guerrillas said yesterday they had launched fresh attacks against government positions in the capital San Salvador and other cities.

The Farabundo Marti National Liberation Front started the offensive on Saturday after pulling out of peace talks to protest at attacks on political and union leaders which they blamed on the US-backed government. They say the offensive is aimed at getting the Government to negotiate seriously.

Communiqués released by the FMLN in Havana said its guerrillas had infiltrated three areas on the southern outskirts of the capital on Monday morning.

In central La Paz province, they said, forces attacked the barracks of an engineering battalion. In the central city of San Vicente, guerrillas attacked a barracks and fresh attacks were also launched on Monday on a police barracks in the northern town of Nueva Concepcion.

At least 150 have been killed in the fighting. Most casualties appear to have occurred in San Salvador, where many of the civilian dead were caught in the crossfire as troops tried to oust the rebels from densely populated residential neighbourhoods.

The FMLN claims to have inflicted "over 400 casualties" on the armed forces on the first day of the offensive. It also claims to have destroyed a dozen armoured vehicles and a similar number of helicopters and aircraft of the government forces.

Although there is no indication of an imminent collapse of the armed forces, the Government has clearly been taken by surprise by the ferocity of the FMLN attack and is having difficulty in regaining control.

President Alfredo Cristiani has announced a state of siege which suspends a broad range of civil rights and said that, although the initial period would be for 30 days, it would be extended for longer if necessary. Few people tried to go to their jobs in the capital and many businesses were closed.

After the first day of heavy fighting, the guerillas established strongholds in a number of densely populated suburbs in the northern sector of San Salvador and appear to be intent on maintaining their positions.

A local reporter said that the army was having to fight "house-by-house and street-by-street" to dislodge the guerrillas.

Heavy fighting is also taking place in several other cities around the country. It was the biggest co-ordinated rebel attack since a 1981 offensive in the provinces.

The country's international airport remains closed following mortar attacks on the runway on Sunday morning

In Washington, the Bush Administration portrayed the guerrilla offensive as a "desperate" move to disrupt negotiations with President Cristiani.


President Cristiani: state of siege could be extended

US officials expressed confidence that the El Salvador government could deal with the offensive, and said there was no likelihood that Americans could become embroiled in the fighting.

The US has 55 military advisers in El Salvador, and provides about $1.4m a day in economic and military aid to fight the rebels, who number more than 7,000. In the past nine years, the US has pumped more than $3.4bn in military and economic aid to El Salvador.

UK banks warned on money laundering

By **David Lascelles**, Banking Editor

THE BANK of England is warning British banks that they could lose their licences if they fail to install and maintain systems to prevent money laundering, particularly drugs-related laundering.

The Bank, stepping up its campaign against criminal use of the banking system, sent a letter to banks yesterday emphasising their duty to be on the look-out for suspicious activity and to co-operate with the authorities.

The letter makes clear that banks will have to have adequate control systems against money laundering in order to qualify for a licence under Schedule 3 of the 1987 Banking Act – the section which lays out minimum criteria for authorisation.

The letter, which is signed by Mr Roger Barnes, the head of banking supervision, follows the endorsement in Basle earlier this year by central banks of the leading industrial nations of a "statement of principles" against money laundering.

The principles say that banks must:

- Take steps to know their customers;
- Comply with the law;
- Co-operate with the enforcement agencies within the constraints imposed by the rules covering customer confidentiality;
- Adhere to the spirit of the statement.

Mr Barnes says in his letter: "In the light of the increasing international concern about money laundering, and drugs-related laundering in particular, it is timely to remind you of the provisions of the Basle Statement."

Mr Barnes says the principles apply not only to drug money but to the deposit, transfer and concealment of money derived from many forms of illicit activity, including robbery, terrorism and fraud.

He gives details of UK statutes which allow banks to disclose customer transactions by exempting them from customer suits for breach of confidentiality.

The Bank's letter appears to have been prompted not merely by the continued growth of money laundering but also by concerns that some of Britain's smaller banks may be making themselves targets for criminals by not having strong enough controls.

EC ministers agree new tobacco warnings

By **Lucy Kellaway** in Brussels and **David Churchill** in London

EUROPEAN health ministers yesterday agreed on tough new warnings to be carried on cigarette packets and on the maximum permitted tar levels for cigarettes.

Mrs Virginia Bottomley, Junior Minister at the UK Department of Health, abstained on both votes, leaving Britain isolated once again as the only European Community member failing to give Brussels its support. Mrs Bottomley abstained on the grounds that such matters should be decided by member states, not by the Commission.

She stressed that while Britain was in favour of the objective of reducing the incidence of cancer, it objected to being forced to change its voluntary agreement with tobacco companies.

The Brussels decision was criticised last night by the UK tobacco industry.

Ms Jill Ardagh, European affairs director for the Tobacco Advisory Council, which represents UK manufacturers on EC issues, said: "We are very disappointed at such unnecessary interference by the EC.

"It means that our present voluntary system of health warnings on cigarette packets, which has worked well, will be scrapped."

Starting from the beginning of 1992 all tobacco products must carry the warning "Tobacco seriously damages your health," plus a choice of other warnings on the link between smoking and cancer, cardiovascular diseases, the probabilities of death from smoking, or the harm done to unborn babies and to other passive smokers.

The directive specifies the exact percentage of the packet which must be covered by the warnings, which are to be in bold type.

European ministers also established yesterday a common position on tar levels in cigarettes, which would require companies to cut the maximum yield to 15mg by 1992 and 12mg by 1997.

A longer timetable has been granted for Greece where tar levels are the highest in the Community.

In the UK, where the average tar level in cigarettes is currently 13.1mg, the 15mg yield target by 1992 would mainly affect untipped cigarettes. These account for less than 2 per cent of total UK cigarette sales, estimated to reach 96bn this year.

The 12mg target set for 1997 would affect eight out of every 10 cigarettes sold in the UK. But tobacco industry officials last night believed that the industry would have largely reduced tar levels to less than 12mg by the 1997 deadline.

The EC decision was welcomed last night by the Coronary Prevention Group. Mr Michael Connor, its director, said it could "spell the end of the voluntary agreements between the Government and tobacco industry which have effectively allowed the industry to promote tobacco products freely."

Both Brussels proposals announced yesterday are part of the Commission's "Europe Against Cancer" campaign, which has set itself the target of cutting by 15 per cent the number of deaths caused by cancer by the year 2000.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	15	59	Malta	F	19	66	Rhodes	C	17	63
Algiers	S	24	75	Edinburgh	Fg	6	43	Manchester	S	14	57	Rio de J'o	C	32	90
Amsterdam	S	11	52	Faro	C	21	70	Manila	F	33	91	Rome	S	15	59
Athens	F	13	55	Florence	S	16	61	Melbourne	S	15	59	Salzburg	C	1	34
Bahrain	S	28	82	Frankfurt	S	6	43	Mexico City	F	24	76	San Francisco	C	13	55
Bangkok	F	34	93	Funchal	F	13	55	Miami	F	24	75	Seoul	S	5	41
Barcelona	C	18	64	Geneva	C	5	41	Milan	Fg	5	41	Singapore	F	31	88
Beirut		–	–	Gibraltar	F	19	66	Montreal		–	–	Stockholm	S	6	43
Belfast	Dr	10	50	Glasgow	C	7	45	Moscow	C	2	36	Strasbourg	Fg	1	34
Belgrade	C	4	39	Guernsey	S	15	59	Munich	C	0	32	Sydney	F	20	68
Berlin	C	1	34	Helsinki	F	7	45	Nairobi	F	26	79	Taipei	R	20	68
Biarritz	S	18	64	H. Kong	S	26	79	Naples	S	16	61	Tangier	F	21	70
Bombay	S	33	91	Innsbruck	S	9	48	Nassau	F	28	82	Tel Aviv	F	23	73
Bordeaux	S	18	64	Inverness	F	11	52	New Delhi	S	28	82	Tenerife	F	20	68
Brussels	S	10	50	Islamabad	C	23	73	New York	S	5	41	Tokyo	R	20	68
Budapest	S	8	46	Istanbul	F	9	48	Nice	S	17	63	Toronto	C	4	39
B. Aires	C	19	66	Jakarta	R	33	91	Nicosia	C	17	63	Tunis	S	20	68
Cairo	F	23	73	Jersey	S	16	61	Oporto	S	20	68	Valencia	C	19	66
Cape Town	F	21	70	Jo'burg	F	21	70	Oslo	S	6	43	Venice	S	14	57
Caracas	C	28	82	Lima	F	20	68	Paris	S	12	54	Vienna	C	3	37
Casablanca	S	23	73	Lisbon	F	18	64	Peking	S	4	39	Warsaw	Fg	0	32
Chicago	S	13	55	London	S	11	52	Prague	C	0	32	Washington	S	4	39
Cologne	S	11	52	Los Angeles	C	15	59	Reykjavik	Dr	5	41	Zurich	C	2	36
Copenhagen	Fg	7	45	Luxembourg	S	10	50								
Corfu	S	16	61	Madrid	F	17	63								
Dallas		–	–	Majorca	F	20	68								
Dublin	Fg	9	48	Malaga	F	21	70								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Thatcher calls for Western support

Continued from Page 1

Times of great change were also times of great uncertainty and even danger, so it "must be through Nato that we continue to keep the peace by tried and tested means."

In a sideswipe at those of Britain's partners seeking to accelerate the process of integration within the Community, Mrs Thatcher also warned against a "narrow, *blinkered approach" to* Europe. The Community was only one manifestation of Europe'a identity: Warsaw, Prague and Budeapest were also great European cities.

Mrs Thatcher took the opportunity to attack plans for a single Community currency and central bank submitted by Mr Jacques Delors, the European Commission president.

She said it was ironic. "At a time when Eastern Europe is moving towards greater democracy, that some in the Community want to take economic and monetary policies away from our national parliaments and hand them over to a body which is not democratically accountable."

- British industry was warned by Mrs Thatcher to hold down the level of pay awards it was to remain competitive with overseas supplies.

The Prime Minister insisted that despite the "painful" effects of high interest rates, the Government would continue to keep the defeat of inflation as its "overriding priority."

Nothing would be as damaging as prolonged inflation, which would undermine the whole basis of Britain's prosperity, she said.

EC finance ministers leave issue of EMU to next summit

By **David Buchan** and **Tim Dickson** in Brussels

EUROPEAN Community finance ministers yesterday agreed to leave the controversial issue of European Monetary Union (EMU) to the summit of the 12 EC heads of state in Strasbourg next month.

The ministers ended a long discussion with a majority ready to let the summit set a date for a treaty-revising conference.

The agenda of next month's meeting is unclear because *West Germany*, represented by Mr Theodore Waigel, its Finance Minister, remains non-commital about President François Mitterrand's intention to engineer an inter-governmental conference in 1990.

Mr Waigel's caution seemed to be unrelated to developments in Berlin, which he said neither called into question the federal republic's attachment to the Community nor its hope that the EC would move to a full monetary union.

He warned, however, that "one cannot build a roof without being sure of the foundation" – a sentiment echoed by Mr John Major, the UK Chancellor of the Exchequer.

Mr Major reiterated that his Government regarded any attempt next month to revise existing EC monetary institutions as premature. He did, however, secure a guarantee that the UK alternative plan for evolutionary movement towards monetary union "will be on the table at Strasbourg."

After giving details of his plan for 12 competing and converging monetary policies, rather than the single currency scheme envisaged in the Delors plan, Mr Major said: "There is no reason to assume that our approach would lead any more slowly to monetary union than the Delors plan" because of the latter's proposal for a new European central bank.

After another meeting in Brussels – of the nine-nation Western European Union Organisation – Mr Douglas Hurd, the UK Foreign Secretary, said the Delors plan "does not become sensible just because the Berlin Wall has been breached."

The finance ministers, who yesterday also approved two *decisions to improve EC mone*tary and economic policy convergence, discussed Eastern Europe at length.

They decided to ask their officials to review co-ordination of the 12's bilateral economic and financial aid to Poland and Hungary. They denied this constituted criticism of the Brussels Commission but it could be a prelude to a debt relief package for Poland.

No Community aid package is yet envisaged for East Germany, with ministers yesterday taking their line from Mr Waigel that East Berlin must first hold free elections and establish free trade unions.

Unity meeting, Page 2

THE LEX COLUMN

A deceptive calm for sterling

A firmer exchange rate and a *token dip in an equity market* which has risen by 6.3 per cent over the last fortnight was not the most obvious response to yesterday's surprisingly weak UK retail sales figures. But then the behaviour of the markets bears little relation to economic fundamentals at present. US interest rates are falling, its economy is slowing and it is running a horrible balance of trade deficit. Yet the US dollar is strong; the DM is weak – despite rising interest rates; and investors have fallen in love again with high yielding currencies like sterling and the Canadian dollar. It is not a particularly stable recipe.

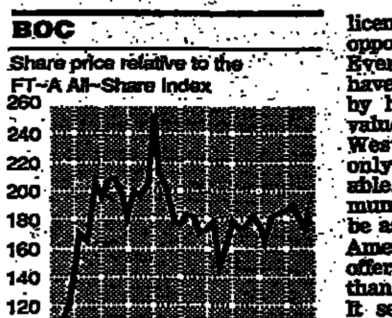
Clearly, the political upheavals in Europe have proved a welcome smokescreen for the UK authorities, pushing stories of behind-the-scenes Government rows over the exchange rate and simmering industrial unrest out of the headlines. A 0.3 per cent annual rise in UK retail sales volume shows that high interest rates are beginning to pinch. But as long as average earnings continue to run ahead of inflation and unemployment continues to fall, there is not going to be any dramatic turnaround in *the UK trade deficit.*

The recent respite in the downward pressure on the pound is likely to be very temporary, especially if the DM begins to strengthen again, which it should.

BOC Group

BOC

Share price relative to the FT-A All-Share Index



The market cannot make its mind up about BOC. The businesses it is in – chiefly industrial gases and medical supplies – should in most respects be recession-proof. Hence, presumably, the proposal to raise this year's dividend 14 per cent, despite only 11 per cent earnings growth last year. But if the market really believed in BOC's defensive qualities, the shares would not be on 9.3 times this year's earnings and a prospective yield of over 5 per cent.

There is no doubt that growth in gases was slowing by last year's fourth quarter, though it is unclear by how much. It is also disquieting to hear that the Glasrock medical business is still in loss; BOC's record in tackling losers – welding and carbon graphite, for instance – is unimpressive. *Nor does it help that the anaes*thetic Forane will run out of patent in just over three years' time; throughout its patent life, BOC will not have brought a single new compound of its own invention to the market.

But then, two thirds of group operating profit still comes from gases. Almost 40 per cent of that business, the company says, is not volume-related at all. In the past five years the shares have gone sideways relative to the market. If that changes, it should not be for the worse.

Meggitt/USH

They fought to the last man at the Alamo, but they knew what they were fighting for. It is harder to see why the directors of USH are defending the last ditch, since their shareholders look like making most of the sacrifices. When USH initially rebuffed Meggitt's offer, now worth 144p a share, its resistance might have forced a higher offer for shareholders. But now those shareholders have decided and 81.5 per cent of the equity is in Meggitt's hands. The game ought to be up.

Instead, the poker hand continues. News of USH's pre-tax loss of £3.5m, the £17m write-off at one UK subsidiary and the poison pill at another in the US has forced Meggitt to ask for more financial information before it completes the bid. But USH still seems to be insisting that Meggitt goes unconditional first. On what grounds? The obvious danger for USH shareholders is that Meggitt could, perhaps should, walk away if it does not receive the information. The effect of a lapsed offer can be judged by last night's USH share price of 111p, 23 per cent below the bid. Meggitt might yet be tempted into a lower offer, but it could not succeed in the time remaining without *the USH board's recommenda*tion.

Mobile phones

Next month's award of West Germany's second cellular licence looks like an excellent opportunity for a quick buck. Even if cellular share prices have been somewhat inflated by hype, it is clear that the value of a licence to be the West German Bundespost's only competitor is considerable. Germany's mobile communications market may not be as developed as Britain's or America's, but the franchise on offer covers a larger population than any US or UK franchise. It seems reasonable to value the piece of paper alone – before any investment in infrastructure – at about £2bn.

One way of participating would be to gamble on identifying which of the 10 consortia bidding for the licence has the best chance and buy shares in a member of that consortium. Clearly, the best bet is the company whose present capitalisation is the smallest relative to the potential value of its stake. In the DeTel consortium, for instance, Elektro Holding of West Germany has a capitalisation of £80m, whereas its 18 per cent stake could be worth £360m if DeTel won the licence.

An alternative strategy suggested by James Capel would be to put an egg in each of the nine baskets that have any realistic chance of winning. On the same criterion of market value versus stake value, the best bets are: Harpener, Mannesmann, Man, Axel Springer, BEH, RWE and BMW – all of West Germany: Rogers Cantel of Canada: and Millicom of the US.

Maxwell

The 4 per cent jump in Maxwell Communications' shares yesterday was due to two things: an unexpected 18 per cent jump in interim pre-tax profits and official confirmation that the two top men from Macmillan are joining the main board. The profits performance remains hard to gauge. It is no news that the US publishing business is capable of spectacular profits growth: the question is what is happening to interest payments, and that will not be clear until Macmillan and GAG have been consolidated for a full reporting period.

Nevertheless, the re-rating seems established. At 237p the prospective p/e and yield are around 10.5 and 8.2 per cent. Not so long ago, the two figures could have been reversed. But for the time being there is room for caution; in the past two months the shares have outperformed the market by over 35 per cent.

ABB in agreed bid for Combustion

Continued from Page 1

While Combustion Engineering's process divisions have been eratic performers financially, the fossil power business has produced steady profits despite the decline in US power station construction from 20,000MW annually in the mid-1970s to less than 2,000MW in the past few years. This is expected to benefit from the expected pick-up in electricity generating demand in the 1990s.

A precipitious slide in the world export market for power equipment since 1981 and rapidly rising costs of product development have encouraged a wave of mergers in which two large groupings have been formed in Europe with tentacles into the North American power market.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 14 1989

INSIDE

Islands in a steam

Ask a Guernseyman what he thinks of Jersey and out come words such as "brash" and "holiday camp", while his homeland is referred to lovingly as "quiet", "courteous" — "the thinking man's Jersey." The strength of feeling is such that the hostile bid by Guiton, publisher of the Jersey Evening Post, for Guernsey Press, publisher of that island's evening newspaper, has stirred up emotions which make relations between Yorkshire and Lancashire look fraternal. Jane Fuller explains how the antipathy felt by Guernsey for its bigger neighbour could be a deciding factor as the takeover battle hots up. Page 36

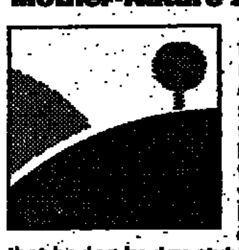
BOC profits rise by 10%

BOC, the UK industrial gases and healthcare company, lifted pre-tax profits by 10 per cent during the year to September 30. Mr Richard Giordano (*left*), chairman, reported pre-tax profits up from £310.5m to £330.5m, despite higher interest charges and more difficult trading conditions in the fourth quarter. The company's shares increased 10p to 494p following the announcement, although some City analysts made modest reductions in their profit forecasts for the current year. Page 34

Change of formula in the chemistry set

Speciality is good, commodity is bad: for the past five years, most of the world's big chemicals groups have been acting in line with this maxim. Now, however, there are signs — partly introduced by hints that the chemicals industry is moving into recession — that the business is beginning to question some of the more simplistic undertones of this strategy. Peter Marsh reports. Page 30

Mother Nature's conundrums



The farmer's world is full of hard to answer riddles. Why are many of them harvesting a near-record crop of moisture-loving sugar-beet this autumn, after the driest summer for years? How is it that lambs in a field of succulent turnips decide that boring barley stubble over the hedge looks far more inviting? But when it comes to the politics of agriculture, David Richardson suggests in his Farmer's Viewpoint column, answers are much easier to find. As a rule of thumb, he writes, whichever government or European authority is in charge it will put forward production policies which are roughly the opposite of what is required by both farmers and consumers. Page 40

West German markets look East

The West German stock market, inspired by events in Berlin, was the world's best performer last week, as share prices of construction companies and retailers rose in anticipation of increased demand from the East Germans. But the week was not entirely euphoric, with the FT-A World index rising only 0.4 per cent as most markets worried about Wall Street's recent volatility. Page 52

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Labinal	1196	+	57.6
Rises				Marine-Wendel	464.9	+	20.8
Asko Deutsche	815	+	73	**Falls**			
Gerresheimer	309	+	17	C.F.F.	172	−	7.8
Leifheit	635	+	10	GTM-Entrepose	1043	−	37.5
Schering	755	+	10	Penhoet	459	−	15.3
Verein-West	420	+	10	**TOKYO (Yen)**			
Falls				**Rises**			
Muench Rueck	2400	−	50	Fuji Kiko	1320	+	140
NEW YORK ($)				Naraseki Sangyo	1050	+	109
Rises				Niigata Kaikai	1370	+	150
Bird	$11\frac{1}{4}$	+	$1\frac{3}{4}$	Tokyo Cosmos	1186	+	160
Combustion Eng	$28\frac{3}{8}$	+	$\frac{7}{8}$	**Falls**			
Intellicall	$15\frac{1}{4}$	+	$1\frac{1}{4}$	Komatsu-Gosho	1110	−	90
MCA	65	+	$3\frac{1}{8}$	Nissan Nohin	785	−	84
Falls							
St Nth Nekoosa	$61\frac{1}{8}$	−	$\frac{7}{8}$				
K Mart	$34\frac{3}{8}$	−	$\frac{1}{2}$				
PARIS (FFr)							
Rises							
La Redoute	3350	+	190.3				

New York prices as at 12.30pm.

LONDON (Pence)				Rothmans	819	+	11
Rises				SmithKline B'm	554	+	10
Admiral Compt.	200	+	7	**Falls**			
Burmah	694	+	9	BAA	342	−	5
Glaxo	1482	+	16	Body Shop Intl	467	−	20
ICI	1109	+	2	Brit. Aerospace	625	−	10
Lec Refrig.	340	+	20	Reed Intl.	410	−	$3\frac{1}{2}$
Lucas Inds.	579	+	2	Ultramar	337	−	8
Maxwell Comms.	237	+	10	Vickers	206	−	7
Mountleigh	170	+	5				
Pearson	709	+	9				
Polly Peck Intl	360	+	13				

Sea Containers in sale to Genstar

By **Andrew Hill** in London

SEA CONTAINERS has lined up Genstar Containers Corporation, the world's largest container rental group, to buy its fleet of standard dry cargo containers and chassis for nearly $400m.

US analysts said yesterday's announcement lent some credibility to Sea Containers' plans to fend off a hostile takeover bid from Tiphook, a UK container rental group, and Stena, a private Swedish ferry operator.

Sea Containers shares rose to more than $65 on Wall Street in New York, compared with the hostile Anglo-Swedish offer of $63 a share.

The container fleet being sold makes up the largest chunk of assets in Sea Containers' $1.1bn disposal programme aimed at funding a $70-a-share tender offer for the Bermuda-registered group's own shares.

Sea Containers is also close to announcing a buyer for its Sealink ferry services running to the Isle of Wight and the port of Harwich on the east coast of England.

However, none of the disposals can go ahead until the proposals receive shareholder approval. Mr Jim Sherwood, president of Sea Containers, said yesterday that a date for the shareholder meeting would be "set promptly" after November 27, when the Bermuda supreme court is expected to rule on a legal challenge to earlier Sea Containers defence plans.

Mr Sherwood would have to give shareholders at least six weeks' notice of the meeting.

Genstar, a subsidiary of General Electric Company of the US, is buying Sea Containers' fleet of 200,000 20 ft equivalent units (TEU), 3,500 chassis and about $25m of related accessories. The whole package will cost Genstar $392.5m and reinforce its position as the world's largest container rental group, with 730,000 TEU.

The second largest is Itel, with 450,000 TEU.

Sea Containers is left with its more valuable 100,000-TEU fleet of refrigerated and specialist containers, which is not being put up for sale.

Genstar is paying roughly $1,900 per TEU against a price of $3,000 for new containers.

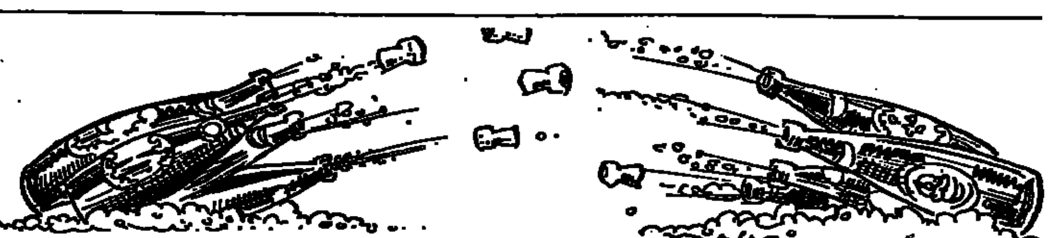
Sea Containers also said it would sell two of its eight redundant ferries for sale — the St Brendan and the Earl Harold — to Italian and Greek purchasers for $19m.

In a separate filing to the Securities and Exchange Commission, the ferry and container company forecast earnings of $324m for 1989-90, including disposal gains, while it said the slimmed-down group would make $62m in 1991 and $76m in 1992, compared with net earnings of $85.2m last year.

Sea Containers expects to publish its third quarter figures today.

Champagne war bubbles over

George Graham on the fued within LVMH



France's lawcourts are working overtime, and at an unprecedented pace, to resolve the legal tangle surrounding the battle for management control of Moët Hennessy Louis Vuitton (LVMH), the luxury goods and drinks group which owns some of the world's most expensive brand names — from Dom Perignon champagne, to Christian Dior perfumes, Hennessy cognac and Louis Vuitton handbags.

Although the trenches are at the moment occupied by lawyers, they are really there as surrogates for the two ambitious men vying for power at the head of the group, Mr Bernard Arnault, the nervous 40-year-old financier who took over the chairmanship of LVMH in January, and Mr Henry Racamier, the 77-year-old Vuitton family patriarch.

Mr Racamier took over his wife's family business, Louis Vuitton, in 1977, after retiring from his own steel company, and is largely responsible for the company's development from a small manufacturer of luggage into one of the best known brands in the world.

He also masterminded Louis Vuitton's merger with Moët-Hennessy, the champagne and cognac group, in 1987, but rapidly found the loss of independence irksome. He began a series of skirmishes with Mr Alain Chevalier, the former chief executive of Moët Hennesy, promoted to group chairman at the time of the merger. After Mr Chevalier downed tools in disgust in January, Mr Racamier began to clash with Mr Arnault, whom he had himself invited on board as a shareholder.

After initially becoming a shareholder in LVMH to balance the influence of Guinness, Mr Arnault subsequently pooled his holding with the UK group. This put him at the head of a 44 per cent stake in LVMH, held in partnership with Guinness through a company called Jacques Rober.

Guinness's principal interest in the battle is to protect its co-operation agreements with LVMH in the world drinks market. Guinness is indirectly the largest single shareholder in LVMH, but it is playing its cards very close to its chest in the current confrontation, not least because the menace of a Guinness takeover is being used by Mr Racamier as ammunition against Mr Arnault.

A quarter of the Rober stake stems from an issue of bonds with attached warrants which the appeals court ruled last week had been carried out "irregularly." It is these warrants which are at the centre of most of the current legal battles.

The issue, carried out by Moët-Hennessy before the merger with Vuitton, was supposed to be an international placing, but most of the bonds remained in the hands of a small syndicate of French banks, until they were bought up by Mr Arnault in August and September 1988. In the end, Mr Arnault acquired 94 per cent of the entire issue, which after exercise of the warrants will account for 12 per cent of LVMH's capital.

A number of small shareholders are now suing to have the issue annulled. A hearing will take place next Monday, though the decision is likely to follow some time later, and will, whatever the result, almost certainly be appealed: What would happen if the issue were annulled? It appears unlikely that the reduction in Mr Arnault's stake would on its own be enough to shift the balance of power.

Mr Arnault's advisers say that his shares, together with those held by the original family shareholders of Moët-Hennessy, would still amount to over 50 per cent of the votes, although Mr Racamier's supporters believe it would fall very slightly below. In any case, the bloc held by the Vuitton family, both directly and through the joint family holding company VIG, would still have considerably less than one third of the votes, which would be necessary to secure a blocking minority. Mr Racamier calculates that, in the event of an annulment, a good number of the Moët-Hennessy families would desert to his side. This hypothesis so far has little to support it; indeed, Mr Frédric Chandon de Briailles and Mr Alain de Pracomtal, senior members of the Chandon and Hennessy families respectively, have recently spoken out in support of Mr Arnault.

"I believe that our position will be followed by practically the entire family," Mr de Pracomtal said earlier this week.

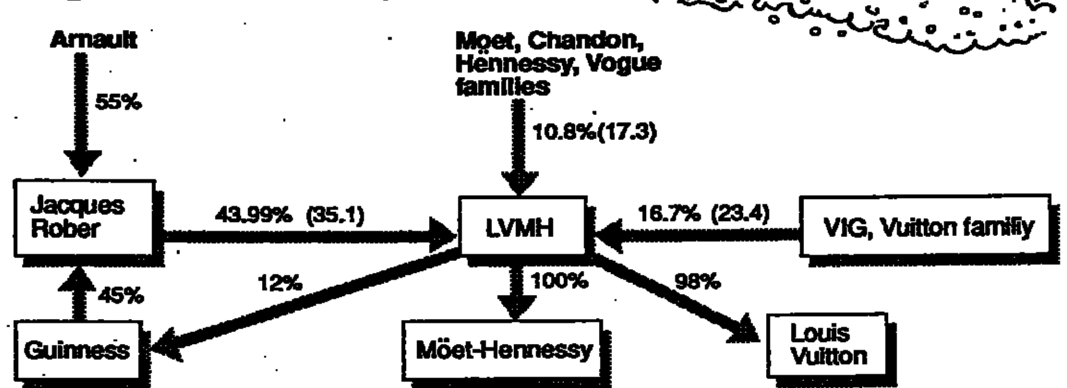
Over the medium term, too, Mr Arnault's shares will acquire double voting rights once he has held them for three years. This will put him on even terms with the Vuittons.

One possibility for a swift victory to the Arnault camp was dismissed yesterday, when the commercial court granted Mr Racamier an injunction allowing him to delay the shareholders' meeting of Louis Vuitton until March 15 next year. If Mr Arnault has his way, he will undoubtedly use the shareholders' meeting to oust Mr Racamier from the Vuitton chairmanship. Today Mr Arnault will be seeking LVMH supervisory board support for a move to strip Mr Racamier of his group management board titles. It would require a shareholders meeting to remove Mr Racamier from the board entirely, however, and he argues that today's supervisory board decision is irrelevant as he has no executive functions at group level.

LVMH, which owns 98 per cent of Louis Vuitton but which has so far had little opportunity to exercise any influence over the company, has appealed against the delay, and the appeal court is due to rule this afternoon.

So far, at least, the battle between the rivals appears to have had little effect on the running of the business. In fact, LVMH's net profits in the first six months of this year showed a 60 per cent advance to FFr1.02bn (£102m), reflecting a strong performance across the group.

One reason why the conflict at board level has not had a negative impact on the operations of the group is LVMH's highly decentralised management system. But how long can so complex an international organisation remain immune to the strife that has been going on within the boardroom for over 18 months.



All holdings after full dilution

The figures in brackets are voting rights

Five largest stock market capitalisations in France

(FFrbn)	Mt cap Nov 10	Turnover 1988	Net profits 1988
LVMH	58.0	16.4	2.0
Elf Aquitaine	52.6	128.1	7.2
CGE	47.5	128.0	2.2
Suez	44.3	17.8	2.7
Peugeot	40.7	138.5	8.8

Fiat seeks assembly deal with Maserati

By **John Wyles** in Rome

FIAT AUTO is expecting to reach an agreement "within a few weeks" which would permit Italy's top carmaker to produce vehicles on assembly lines belonging to Italy's smallest, Maserati.

The agreement will confirm that Fiat is looking for production capacity wherever it can find it, while plans to build a new assembly plant outside Italy are still on hold. Parallel discussions with Saab are also believed to be aimed at developing a manufacturing collaboration in Sweden with Fiat's Lancia marque.

Fiat and Saab already have experience of developing a common chassis for the Saab 9000, Fiat Croma and Lancia Thema models. It is understood that the two companies are aiming to extend this to at least one other prestige car design and also to reach an agreement which would provide the basis for production of a Lancia marque in Sweden.

Confirmation that talks with Maserati are moving towards a positive conclusion was given yesterday by Mr Cesare Romiti, Fiat Auto's managing director.

It appears that Fiat is not seeking a shareholding in Maserati, which is controlled by the Italo-Argentine businessman, Mr Alejandro De Tomaso. Mr Romiti was also reported as saying the agreement would recognise Maserati's independence and would be able "to restore tranquillity to a company which had no future, if for no other reason but its size."

Maserati is operated in tandem with the Innocenti marque, but sales and production of both have been steadily sinking in recent years, despite a marketing agreement with Chrysler, which holds 16 per cent of the Italian company, to sell its Biturbo luxury model in the US.

Maserati's losses climbed from L26bn ($19m) in 1987 to L37bn last year on revenues of around L200bn, but sales have reportedly picked up in the first half of this year.

The agreement with Fiat is expected to provide for the production of around 30,000 units of the Panda small car at Maserati-Innocenti plants at Lambrate, Milan, or at Modena. In the future, an Alfa Romeo car might also come out of Maserati.

A secretive businessman even by Italian standards, Mr De Tomaso was reported to have told union leaders recently that he would be taking up an option to acquire 32.8 per cent of Maserati from the state holding company Gepi, giving him around 84 per cent of the company.

Singer Company files for protection under Chapter 11

By **Anatole Kaletsky** in New York

THE SINGER Company, the former manufacturer of sewing machines which was for many decades one of the best-known US businesses around the world, has filed for protection under Chapter 11 of the US Bankruptcy Code.

The bankruptcy was a delayed reaction to the machinations of Mr Paul Bilzerian, the corporate raider who bought Singer last year in a highly leveraged takeover.

The defence electronics company, which changed its name in August to Bicoastal Corporation, fell into deep financial trouble almost immediately after Mr Bilzerian's $1.1bn takeover in January, 1988.

The problems were greatly intensified this summer when Mr Bilzerian was convicted and sentenced to four years' imprisonment for fraud, insider trading and tax evasion, connected with his pre-Singer deals.

In connection with these legal proceedings Singer was prevented in May from transferring or selling any additional assets and this has prevented the servicing of its obligations.

In addition, various lawsuits from companies and partners with which Mr Bilzerian and Singer had done business in the last year, presented the company with up to $700m in potential legal liabilities.

An even more pressing problem, which may have precipitated the voluntary bankruptcy filing, is an option formerly held by Mr T. Boone Pickens' Mesa Limited Partnership, which would allow its holders to take control of the whole group.

The option was issued to Mesa by Mr Bilzerian in exchange for Mr Pickens' financial backing of the original Singer takeover. Mesa sold the option, together with other Singer obligations to a small New York insurance company, Leucadia National Corporation.

The bankruptcy filing suspends all legal claims against Bicoastal and allows the current management to remain in place to propose a restructuring plan.

Meggitt may reduce USH offer

By **Andrew Bolger** in London

MEGGITT will try to reduce its £104m ($164m) takeover offer for United Scientific Holdings even though it now speaks for 81.49 per cent of the defence contractor's ordinary shares.

USH shares fell sharply yesterday as Meggitt announced that it was still not prepared to make its bid unconditional.

Meggitt said it was "deeply concerned" by last week's disclosure that USH was liable for up to $2.46m for severance payments to directors of Optic-Electronic Corporation, its US subsidiary. Revealing the agreement, USH said the payments had been put in place without its knowledge.

Meggitt hoped to obtain further information about USH's finances during talks with the company this week and again extended its offer until 3pm on Friday.

Yesterday, shares in Meggitt were unchanged at 91p. At that price, the specialist engineering group's partial cash alternative values each USH share at 144p.

USH shares, however, dipped to 107p before closing at 111p, down 7p.

It is this growing divergence between Meggitt's offer and the USH price which caused Meggitt to describe the US revelations as "material new information for OEC's future and its possible effect on USH."

Meggitt could negotiate a lower offer price with USH, but only by persuading the Takeover Panel that there had been a "material adverse change" in USH's circumstances since the bid was launched on September 11.

USH had intended to sell OEC to Imo Industries of New Jersey, but in the middle of the bid the deal was blocked by the US Federal Trade Commission. Meggitt opposed the sale and said it would be happy to continue to own and operate OEC, but news of the severance arrangements has clearly given it second thoughts.

Meggitt is concerned not only that the departure of existing directors might damage OEC's management continuity, but also that there might be some greater and so far unrevealed problems with the US business, and it will anxious to ally these fears during the talks with USH.

An obstacle facing both Meggitt and USH in obtaining information is that OEC is run by a voting trust and proxy board, a management structure which the Pentagon requires of foreign owners of US defence suppliers.

Meggitt is also anxious to obtain details of the financial position at Avimo Taunton. In its final defence document, USH doubled to £17m the provisions made for losses at the Somerset electro-optics plant.

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Cray Electronics shares suspended

By Nikki Tait and Steve Thompson

SHARES in Cray Electronics, the electronic equipment manufacturer, were suspended at 53p yesterday, ahead of the results of a review of the company's accounting policies and possible restructuring of the company's management.

There was speculation in the City that Sir Peter Michael, the former head of UEI, the fast-growing high-technology group which was taken over on an agreed basis by Carlton Communications earlier this year, might be considering joining the board. Sir Peter could not be reached yesterday.

The company's formal statement said only that Mr Bernard Collins, who retired from any executive role at Cray in August, is now relinquishing his non-executive chairmanship. He is replaced by Mr Stephen Trudgill, founder of Cray's Malvern Instruments subsidiary and a non-executive director of the group.

It added that the board expected to be "in a position shortly to announce the results of the review of the company's accounting policies, together with further changes to the board". It had asked for the suspension ahead of these developments.

However, Mr Trudgill declined to say whether his new role was going to be executive or non-executive and, last night, discussions were underway at S. G. Warburg, Cray's merchant bank advisers. Cray said it hoped a further announcement could be made "in a short time".

Worries about Cray's accounting policies have surrounded the company for some time and contributed to a slump in the share price from more than 200p a year ago – and from a peak of 275p in the 1987 bull market. Figures from Cray this summer showed pre-tax profits up 30 per cent at £17m, but the rise was scored after capitalising £3.68m of product development expenditure and included property profits of £2.98m taken above the line. The capitalisation of product development expenditure means it does not count against profits in the year in which it is incurred.

Norsk Hydro may expand PVC plants

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest publicly quoted company, is considering spending more than NKr1bn ($144m) in the early 1990s to expand and modernise two polyvinyl chloride (PVC) plants at Aycliffe, in the UK, and Porsgrunn, south-east Norway.

The company aims to increase its share of the west European PVC market to 20 per cent from 7 per cent.

Hydro is also considering whether to build PVC plants in the European Community in the 1990s and is seeking partners to this end.

PVC is a type of thermoplastic resin made into sheet, film, foil, extruded form and moulded forms. It is also used as a coating compound applied to other materials.

Hydro may expand capacity in Aycliffe by building a new production line with an annual output of between 60,000 and 100,000 tonnes, while modernisation of plant in Porsgrunn would increase output efficiency.

The raw material for PVC production is vinyl chloride monomer (VCM), which is made from petroleum and natural gas as raw materials.

The company currently has the capacity to produce 560,000 tonnes of VCM annually, of which 60 per cent is used at the two petrochemical plants plus one in Sweden to produce 350,000 tonnes of PVC annually. In addition, Hydro produces 20,000 tonnes of PVC a year in Singapore.

In 1988 Hydro's petrochemicals division had an operating income of NKr1.61bn.

Winterthur sees growth of 10% in premium income

By John Wicks in Zurich

THE Winterthur group, one of Switzerland's leading international insurance concerns, expects a further growth in premium volume by some 10 per cent for the current year.

In 1988, consolidated gross premium income went up by 27.3 per cent to a record SFr10.36bn ($6.3bn).

At a press conference in Winterthur yesterday, the company said it expected another improvement in group profits. Last year these improved by 15.2 per cent to SFr220.5m.

The Swiss parent company was able to raise dividend payouts for the year from SFr60 to SFr64 per share and from SFr12 to SFr12.80 per participation certificate.

The overall claims ratio is seen as having deteriorated "only slightly" in 1989, despite a number of major claims in individual countries. At the same time, Winterthur reckons with good financial results and a slight decrease in expenses.

The company expressed confidence in its future progress, particularly in that it is "in an excellent starting position" for the internal EC insurance market. Winterthur is represented in all major community members by subsidiaries and branch offices which have been in place for decades.

Working through the Brussels subsidiary Winterthur-Europe, set up earlier this year, and these existing operations, the group intends to offer additional products – to be known as "Europe policies" – to international corporate clients.

■ Union Bank of Switzerland, the biggest Swiss bank, which reported a substantial rise in its earnings for the first three quarters of this year, expects further "positive developments" in its 1990 results.

In 1988, net profits had risen by 3.4 per cent to SFr778m. Dividend remained unchanged at SFr120 per bearer share, SFr24 per registered share and SFr4.80 per participation certificate. Mr Robert Studer, president of the Zurich-based bank's executive committee, said in Zurich the performances of the parent bank and its domestic and foreign branches had "significantly exceeded expectations" this year so far.

Schindler announces acquisitions

By William Dullforce in Geneva

SCHINDLER, the Swiss lifts and escalator group which has been aggressively chasing Otis of the US, the world leader, announced three more small acquisitions yesterday.

It has bought for an undisclosed sum the elevator division of Electric Construction Company in Auckland, which is number two in New Zealand with 33 per cent of the market, a workforce of 143 and an operating income of some NZ$20m ($11.7m).

In Chile, Schindler has paid $1.2m to increase its minority stake in Harnecker Schindler Ascensores to over 98 per cent. The company, with a staff of 183, leads the Chilean lift market with a 40 per cent share.

In Kenya, the Swiss group has bought the lift division of Listo, its former agent in Nairobi, and will incorporate it with its own newly-established company in Nairobi. Schindler intends to make Listo, which holds 75 per cent of the Kenyan new installations market, its centre for east Africa.

In the US, where it took over Westinghouse's elevator and escalator division last year, Schindler is building at Clinton, North Carolina, a new $15m plant to produce 350 escalators a year.

Last year, before the Westinghouse operation had been incorporated, Schindler posted a 30 per cent increase in net earnings to SFr85m ($52m) on a record SFr2.2bn turnover.

Investors launch fight for say in selecting Danish group's board

By Hilary Barnes in Copenhagen

SHAREHOLDERS in GN Great Nordic, one of Denmark's oldest industrial companies, are launching a proxy fight to end a situation by which they have no influence over the appointment of the board.

The campaign, one of the first attempts of its kind to be seen in Denmark, is being organised by Mr Todd W. Johnson, who runs Hampshire Securities, an institutional brokerage company in Copenhagen, which works mainly with foreign investors.

The problem, according to Mr Johnson, is that GN Great Nordic, the operating company, and the related GN Holding effectively control each other, to the exclusion of any outside shareholder influence.

At the annual meeting of shareholders in GN Holding in August, Mr Johnson obtained the support of 44 per cent of the shareholders for a change in the situation, which he wants to bring about by changing the articles of association of GN Holding.

He hopes to be able to obtain majority backing by organising a proxy campaign. His first opportunity to mount an attack on the GN board, whose chairman is Mr Erik B. Rasmussen, will be at the annual meeting of shareholders of GN Great Nordic next June.

GN made its early reputation by laying and operating trans-Atlantic telephone cables and a trans-Continental cable linking Europe and Japan through Russia.

It is today a member of an international consortium negotiating with the Soviet Union for the establishment of an optical fibre cable across the Soviet Union to Japan.

In more recent decades, the group has diversified into electro-technical manufacturing, including batteries, hearing aids, telephones, and electrical equipment, but the results have not been satisfactory.

In 1987 the group made a DKr150m loss, which was cut last year to DKr8m, and the group expects to be back in profit in the current year.

Shake-up for Kryolitselskab

By Hilary Barnes

A COMPLETE reorganisation of Denmark's Kryolitselskab is taking place this year, just three years after it was the subject of the country's first important privatisation, Mr Erik Rasmussen, board chairman, announced yesterday.

The company plans to sell off its operating subsidiaries, in Danish biscuits, electronics and food processing machinery, in order to become an investment company.

Shareholders are being given a chance to sell back to the company the shares they bought from the state in 1986 at the same price as they paid then, DKr750 ($104) per share.

This puts a value on the company's total share capital of DKr1.2bn. The market price of the share when it was suspended on the Copenhagen Stock Exchange two weeks ago was DKr713.

The company was founded in the 1930s to mine cryolit, a mineral used in the production of aluminium, in Greenland. The state had a 41 per cent share in the company.

The mine will be closed next year, as deposits are exhausted. The company began diversifying into manufacturing in the 1970s, but the results have been mediocre.

The company made an operating profit last year of DKr90m and a net profit of DKr96m on a turnover of DKr1.46bn.

The company's new strategy will be to assist the restructuring of Danish industry with short-term finance for corporate restructuring, including leveraged buy-outs, said Mr Rasmussen.

Chilean pulp and forest deal

CARTER HOLT HARVEY, a New Zealand forestry and fishing concern, and Stora, the Swedish forestry products company, have agreed to enter a joint venture to set up a forestry and industrial project in Chile, AP-DJ reports. The project involves developing and extending forests, and then building a pulp mill in the Valdivia region of Chile.

Nycomed in Austrian bid talks

By Karen Fossli in Oslo

HAFSLUND NYCOMED, the Norwegian medical and pharmaceutical group, has opened negotiations which may lead to the acquisition of a strategic shareholding in CL Pharma, an Austrian state-owned pharmaceuticals company.

CL Pharma produces a wide-range of pharmaceutical products in Austria, West Germany and Switzerland.

The acquisition would enable Hafslund to strengthen its presence in continental Europe in accordance with its long-term strategy.

Two other companies are also bidding for the CL Pharma.

Last year CL Pharma had a total turnover equal to around NKr1bn. Hafslund's operating profit for the first nine months of 1989 was NKr751m while group operating revenue was NKr2.17bn.

Fall in Subaru sales hits Fuji HI

By Robert Thomson in Tokyo

FUJI HEAVY INDUSTRIES, the Japanese maker of Subaru cars, reported a 12.7 per cent increase to Y6.49bn ($45m) in pre-tax profit for the first half to the end of September, but said after-tax profit for the period had fallen 16.8 per cent to Y5.1bn partly because of sluggish sales of smaller cars.

Total sales for the period rose 8.2 per cent to Y331.49bn, although the company reported an operating loss of Y3.9bn, down from a profit last year of Y2.1bn, but that downturn was exceeded by a sharp rise in non-operating profit from Y3.6bn to Y10.5bn, generated mostly by securities transactions. Cars accounted for 81 per cent of revenue last year, but sales during the period were improved by an increase in demand for industrial machinery and other non-automobile products.

Mixte stock deals 'not illegal'

THE Société des Bourses Francaises (SBF), France's main stock market authority, said yesterday it had no reason to think purchases of Navigation Mixte stock by four companies with representatives on its board constituted an illegal concert party action to fend off an unwelcome takeover bid from Paribas, AP-DJ reports.

The SBF said it cannot suspect concerted party action behind purchases by Allianz, Framatome, Crédit Lyonnais and France's Société Générale on the basis of information at its disposal, because of the small size of the purchases and declarations by some of the buyers that they were made independently.

The SBF statement gives shareholdings the four companies had declared by November 7. Allianz had 8.67 per cent, followed by Framatome with 6.91 per cent, while Crédit Lyonnais had 6.37 per cent and Société Générale 5.19 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Casino owner set to give up control

By James Buchan in New York

MR MERV Griffin, the sometime big-band singer, talk-show host and television producer, looks set to lose much of his control over his Atlantic City gambling house just a year after plunging into casino ownership on the Boardwalk.

Under the agreement, announced yesterday, with big lenders to his badly troubled Resorts International casino group, Mr Griffin will give up all but 22 per cent of the company he bought from Mr Donald Trump, a New York-based businessman, last November.

Mr Griffin will stay as chairman and control a majority of the company's board, but the remaining seats will be named by the bondholders, who own about $900m in defaulted notes and debentures issued by Resorts and its affiliates.

Mr Griffin, who invested only $60m of his own money in the highly leveraged deal must put up a further $30m.

Yesterday's agreement with a majority of the bondholders comes just two days before the anniversary of what Wall Street now regards as arguably the most reckless financing by the junk bond market.

Mr Griffin issued $325m in new junk bonds last November, even though Resorts already carried some $600m in debt and the Atlantic City casino market was deteriorating. Resorts defaulted last August.

Yesterday's agreement will not keep Resorts out of the bankruptcy courts. Some bondholders have already filed bankruptcy petitions.

But the company says these are designed to preserve certain rights to sue Mr Trump for fraudulent conveyance which expire on the anniversary of the deal tomorrow.

But an agreement with leading bondholders will strengthen the company's hand in the bankruptcy court.

The company hopes to be able to convince the court that it does not require full bankruptcy protection.

Under yesterday's terms, secured bondholders will receive 2.5 per cent of the company's equity, $187.5m in pay-in-kind junk bonds and a $100m note secured on the lease of a neighbouring casino.

Unsecured bondholders will receive 75 per cent of the company and $112.5m in pay-in-kind bonds. The unsecured holders will also receive any proceeds from the lawsuit if it can be proved Mr Trump defrauded Mr Griffin.

Getty partnership puts Avon 'into play'

By Anatole Kaletsky in New York

AVON PRODUCTS, the leading US direct marketer of cosmetics, jewelry and personal products, appeared to be "in play" as a takeover candidate again yesterday, after Chartwell Associates, a partnership including the wealthy Getty and Fisher families, disclosed a 6.5 per cent stake.

Avon has been resisting intermittent takeover approaches from Mr Irwin Jacobs, the Minneapolis corporate raider, and various of his partners since May this year. The last such overture was in August, when Mr Jacobs mentioned a "possible price" for the company of $41 a share or $2.2bn.

However, after a meeting with Avon's management, Mr Jacobs, who owns about 10 per cent of the stock, pronounced himself satisfied with the company's direction. About a month later, in mid-September, Avon sharply donwgraded its profit forecasts for 1990 and the stock fell to a low of $27.

The Chartwell stake, announced late on Friday afternoon, sent Avon's shares $5⅛ up to $36⅛ in late trading on Friday. Yesterday morning the shares fell back by $⅝ to $35½ in heavy trading.

Chartwell, a previously unknown group, said its general partners included Mr John Rochon, the chief financial officer of Mary Kay Corporation, as well as five members of the Fisher family, a group of New York real estate developers. The limited partner providing Chartwell with additional financial backing was the Getty Family Trust, a large pool of money controlled by the oil heir Mr Gordon Getty.

Mr Rochon is one of the key executives at Mary Kay, another door—to—door cosmetics company, which underwent a successful leveraged buyout in 1985.

The Fisher and Getty interests have invested in several takeover deals, including a bid earlier this year for Emhart Corproation, the consumer products group which was eventually bought by Black & Decker.

Munich Re static with DM60.2m net for year

By Haig Simonian in Frankfurt

NET PROFITS at Münchener Rückversicherung (Munich Re), the world's largest reinsurer, remained virtually static at DM60.2m ($32.5m) in 1988-9, against DM60.0m in the previous financial year.

At the pre-tax level, earnings increased to DM185.7m from DM161.9m in 1987-8.

Profits for this year will be overshadowed by claims for Hurricane Hugo and the Californian earthquake, said Mr Horst Jannott, chief executive.

He predicted that the company's DM10 a share dividend would remain unchanged.

Last year's static net profits performance masked improvements in premiums and gross earnings. Premium income rose by 6.2 per cent to DM12.4bn, thanks to a 7.1 per cent rise in foreign premiums. Domestic premiums grew by 5.4 per cent, slightly below the previous year's level.

Despite continuing losses in US liability policies and natural catastrophes, underwriting losses fell to DM381m, against DM444m the previous year.

Investment income, after deductions, rose to DM1.59bn from DM1.51bn.

K mart earnings fall despite rise in sales

By Karen Zagor in New York

K MART, the second biggest retailer in the world, which has been cutting prices across the board yesterday reported a third consecutive quarter of declining earnings in spite of increased sales.

Net income for the three months ended October 25 fell 17.5 per cent to $104.1m or 52 cents a share from $126.1m or 63 cents a year earlier. Sales advanced 5.5 per cent to $6.71bn from $6.36bn.

For the first nine months, net income fell 18 per cent to $188.9m from $230.5m the previous year while earnings per share slid 16.2 per cent to $1.71 from $2.04. Sales for the period rose 4.8 per cent to $19.78bn from $18.88bn.

Mr Joseph Antonini, chairman and chief executive, said K mart's pricing strategy had affected gross margins which had had a negative short-term impact on earnings.

"The lowering of prices is an essential part of a long-term strategy to improve our market share, and we are confident that this will benefit future results," he added.

The Troy, Michigan company said gross margins for the quarter were lower than in 1988 at 26.5 per cent of sales against 26.9 per cent, reflecting K mart's lower prices.

Net interest on debt jumped to $50.9m from $37.9m which,the company said, was primarily due to greater total borrowings in 1989.

The company's stock fell$⅝ to $34¼ in midday trading yesterday on the New York Stock Exchange.

●Dayton Hudson, saw third quarter earnings soar 39.1 per cent to $64m from $46m while earnings per share increased to 83 cents from 54 cents a year earlier. Revenues rose 12.9 per cent to $3.24bn from $2.87bn.

For the first nine months, net income jumped 52.4 per cent to $160m from $105m the previous year. Earnings per share advanced to $2.06 from $1.24. Sales improved 13.1 per cent to $9.16bn from $8.10bn.

Mr Kenneth Macke, chairman and chief executive, said the company expected a strong fourth quarter.

During the third quarter, Dayton Hudson opened nine Target stores and three Mervyn's stores, completing its 1989 expansin programme of 69 store openings.

Canada's largest brewer lifts earnings to C$34m

By Robert Gibbens in Montreal

MOLSON, Canada's largest brewer following a merger with Carling O'Keefe, moved ahead in the second quarter, lifting earnings to C$34.1m (US$29.1m) or C$1.04 a share, from C$30m or 91 cents a year earlier before extraordinary items.

In the first half to September 13, Molson's profit advanced to C$69.9m or C$2.13, compared with C$59.8m or C$1.82 a year earlier on revenues which edged ahead to C$1.4bn from C$1.3bn.

Molson included a special gain of C$61.9m or C$1.88 a share in the second quarter on the sale of its brewing business to the Molson-O'Keefe Breweries holding company, which is owned jointly with Elders IXL of Australia.

The merged company has 53 per cent of the Canadian beer market and is number three importer in the US.

Profit after special items for the first half was C$131.8m or C$4.01 a share.

In the latest period beer sales in Canada were down 2 per cent because of heavy sales of discounted beer in the large Ontario market.

In addition Molson saw sales in the US decline while profits were squeezed by the strength of the Canadian dollar.

● Placer-Dome, based in Vancouver and North America's largest single gold producer, posted lower earnings in the first nine months.

The comparative figure for the 1988 period was distorted by a special gain of C$134m on the sale of its holding in Falconbridge.

The Vancouver-based group posted third-quarter profits of C$21m, or 8 cents a share, against C$127.1m, or 56 cents a year earlier, on revenues of C$256m, against $186m.

Nine months' net was C$90.3m, or 38 cents a share, against C$204.2m, or 91 cents a year earlier, on sales of C$711m, against C$591m.

The company's oil and gas division is for sale and it will remain a gold and base metals producer.

● Ranger Oil has bought oil and gas reserves in western Canada with daily production of 1,000 barrels of oil and 1m cubic feet of natural gas. The seller is Petro-Canada, the national oil company, but the price was not disclosed.

Together with other deals this year, Ranger's 1990 oil production in Canada will be 2,200 barrels daily, up 150 per cent, and gas output will be 46m cubic feet daily, an increase 46 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Barlow Rand lifts profits by one third

By Jim Jones in Johannesburg

BARLOW RAND, the South African industrial and mining group, lifted sales by a quarter and profits by one third in the year to September 30 with strong growth from exports and sales of equipment needed by infrastructural developments.

Mr Warren Clewlow, the chief executive, expects the trend to continue as the South African economy's growth is largely fired by spending on infrastructure and productive capacity.

The past year's exports were helped by particularly strong demand for ferro-alloys and, to a lesser extent, coal.

The group's turnover advanced to R26.4bn ($10bn) in the year to September 30 1989 from the preceding year's R21.2bn.

The operating profit before interest and tax increased to R2.76bn from R2.02bn and the pre-tax profit rose to R2.56bn from R1.94bn.

Capital expenditure totalled R1.8bn in the past year, of which about one third was on mining projects (particularly platinum) and a quarter on food production.

About two thirds of the past year's capital spending was on expansion projects and one third was used to replace assets.

Mr Clewlow expects Barlow Rand's capital spending will rise to a little short of R2bn this year with particular emphasis on export oriented businesses.

He believes the South African economy has proved itself to be far more resilient than critics had expected. But he does not expect the government's present austerity measures to be relaxed in the near future.

He adds that consumer spending will remain soft and that economic growth will continue to come from capital spending by the state and private sectors.

Earnings rose to 544 cents a share from 408 cents and the year's dividend has been increased to 170 cents from 130 cents.

Barlow Rand's controlling shareholder is Old Mutual, South Africa's largest life assurer.

Elders' debt heavily downgraded

By Chris Sherwell in Sydney

THE ELDERS brewing, finance and resources group controlled by Mr John Elliott, has suffered a severe downgrading of its credit rating, following the revelation that its overall debt is A$15.5bn (US$12.2bn), far higher than previously understood.

Australian Ratings, the Melbourne-based agency, announced yesterday that it was reducing its rating on long-term unsecured paper of Elders IXL, the group's main operating company, to BB from A minus – a drop of seven notches in its catalogue of 17.

News of the changed rating, which means Elders has only an adequate capacity to meet its obligations and is likely to be affected by adverse changes in the business environment, prompted a sharp 11-cent fall in Elders IXL's share price to A$2.30.

It also coincides with mounting concern over other debt-laden entrepreneurial groups in Australia's deteriorating business climate. In recent weeks Bond Corporation has reported Australia's largest-ever corporate loss, Qintex has plunged into financial difficulty and provisional liquidators have been appointed at Hooker Corporation and the Budget Rent a Car group.

Australian Ratings said its decision followed the acquisition by Harlin, a company controlled by Mr Elliott and senior Elders executives, of 55.8 per cent control of Elders IXL as the result of an offer which valued Elders IXL at A$5.5bn.

The agency initially put the group on "RatingWatch" in August, and announced yesterday that Harlin's partial leveraged buy-out had "materially altered the financial profile of the overall group and increased latent vulnerability."

It said lenders faced a heightened risk from potentially negative factors such as a downturn in the economy, the impact of a new aggressive competitor in the Australian brewing industry and continuing bad debts in its Elders Finance offshoot.

The most significant revelation concerned the group's borrowings.

The agency acknowledged that the published net gearing of Elders IXL was "a satisfactory 64 per cent," that its interest cover had improved, and that the debt obligations of other companies in the group were non-recourse to Elders IXL.

But it pointed out that loan covenants in Harlin's credit facilities could influence Elders' financial policies, and that a cross-default provision linked Elders IXL with the unconsolidated Elders Finance.

It also drew attention to put-and-call options on Elders' 42 per cent shareholding in Elders Resources NZFP, and a "golden share" arrangement which allowed Elders to assume absolute control of its 50 per cent-owned Courage pub joint venture.

According to Australian Ratings, the total Elders debt of A$15.5bn is made up of: Elders IXL net of cash, A$2.56bn; Elders Finance, A$5bn; Elders Resources net of cash, A$1bn; the Molson brewing joint venture, A$450m; Harlin, A$2.5bn; Pubco, A$1.8bn; and unused lines of credit, A$2.2bn.

It says Harlin is "almost totally reliant" on Elders IXL dividends to service its obligations, and that the substantial interests of Elders executives in Harlin creates "the potential for a conflict of interest."

Harlin and Elders IXL, it adds, should be viewed as a single unit.

But the existing financial structure of Harlin "would appear to be unsustainable in the medium term."

Harlin's options, it says, include selling down its Elders holding, or a full takeover of Elders IXL to control its cash flow or sell its constituent parts.

Apart from downgrading Elders IXL's long-term unsecured paper, Australian Ratings also:

- Downgraded Elders IXL's short-term paper to B.1 from A.2;
- Reduced Elders Finance's long-term unsecured paper to BB minus from BBB plus and its short-term paper to B.1 from A.2;
- Left unchanged Elders Resources NZFP's long-term unsecured paper at BBB and its short-term unsecured paper at A.2.

Tide turns for speciality chemicals

Peter Marsh on questions of product mix as hints of recession mount

SPECIALITY is good, commodity is bad: for the past five years, most of the world's big chemicals groups have been acting in line with this maxim.

But now there are signs – partly introduced by hints that the chemicals industry is moving into recession – that the business is beginning to question some of the more simplistic undertones of this strategy.

In turning away from low-value, bulk materials and towards high-technology, "niche" items, chemicals companies have been trying to improve both the profit margins of their product mix and the degree of resistance of their activities to any economic downturn.

The industry has also been attempting to improve its standing on world stock markets – which generally have been keen to see chemicals businesses move upmarket into supposedly more glamorous products with good growth prospects.

Upsetting the glibber assumptions to the thesis were third-quarter results recently unveiled by Imperial Chemical Industries, Britain's biggest chemicals group.

The company, the fourth largest in the $1,000bn-a-year world chemicals sector, surprised onlookers by unveiling a 12 per cent drop in pre-tax profits for the quarter.

It was the so-called speciality part of ICI's products portfolio – materials like paint, polyester films and high-tech composite plastics – which performed badly while profits from bulk materials like ethylene and high-volume plastics stood up relatively well.

That, more than anything else, has made some analysts rethink their definitions about what constitutes a speciality. "There has been an awful lot of generalisation," says Mr Peter Janes, a chemicals expert in the UK office of DeWitt and Company, a Houston-based chemicals consultancy.

At the root of the recent trends in the chemicals industry is the deep recession the business experienced at the turn of the 1980s. At that time, demand for many commodity materials – which are generally high-volume items made

WORLD'S TOP 10 CHEMICAL COMPANIES

Company and nationality	Sales in 1988 ($bn)	Split between speciality and commodity chemicals
BASF (West Germany)	25	30:70
Hoechst (W Germany)	22	50:50
Bayer (W Germany)	22	60:40
ICI (UK)	21	38:62
Du Pont (US)	19	40:60
Dow (US)	17	30:70
Shell (Anglo-Dutch)	17	10:90
Ciba-Geigy (Switzerland)	17	84:16
Rhone-Poulenc (France)	11	60:40
Exxon (US)	10	6:94

with well-established technology and which sell for prices of a few thousand dollars a tonne – had sunk to rock bottom.

In climbing out of the trough, many of the world's big chemicals companies restructured their businesses to concentrate on higher-value, more specialised materials made in a larger number of more onerous production steps.

They thought, reasonably enough in many cases, that such products would be more immune to future broad economic slow-downs.

Many of the bulk materials are linked to demand cycles in industries like building, vehicles and consumer goods where growth can be easily choked off by economic fluctuations. The more specialised products, meanwhile, sell in narrower areas such as drugs, pesticides, adhesives, coatings, packaging, water-treatment and industrial processing.

As many speciality materials command high prices, between $10,000 and $200,000 a tonne, profit margins are correspondingly good.

Underlying the push in this direction – a route taken not just by ICI but by many of the other chemicals giants including BASF, Bayer and Hoechst of West Germany and Dow and Du Pont of the US – was also the important point of image building. "Everyone was keen to label their products a speciality, just so they could not be thought of as bulk materials with their link with recession," says Mr John Garcia, an analyst at Werdheim Schroder, a New York bank.

The strategy has worked reasonably well. Since the mid 1980s, the chemical industry has prospered, with high profits from the speciality areas bolstered by the fact that – with many countries' economies racing ahead – demand for many of the bulk products has also been good.

But with many forecasters predicting an economic slowdown in the industrialised world over the next year, the good times for the chemicals business may be about to end, leading to a rethink about the reality behind the move towards specialities.

"You can only really put a chemical in this category if it has a technical edge on other products, it is low-volume and high-price and the company has a good position in the market," says Mr Kirun Bhojani, an analyst at Schröder Münchmeyer Hengst Investment, a Frankfurt bank. "There are a lot of so-called speciality chemicals which do not make a lot of money."

Tens of thousands of different products are given the speciality label, making a rigorous examination of the market difficult. Several examples stand out, however, of materials commonly put into this category but which in reality have poor prospects in terms of profits.

Cyanide salts used in metals mining were at one time thought of as "specialities"; the number of competitors in the business means, however, that margins have shrunk considerably even if growth is reasonable. Much the same goes for the platinum-based chemicals used in catalystic converters for cars, a business crowded with suppliers including Degussa of West Germany and the US's Engelhard and Allied-Signal.

In a similar way, many relatively low-value, high-volume materials – sometimes made using unexciting technologies – turn out to have much higher margins than the average commodity. Into this category come cellulose-based fibres made by Britain's Courtaulds and used in cigarette manufacture. The company has few competitors in this field and so can rake in reasonable profits.

It is a similar story with melamine and caprolactam, two high-volume chemicals used in plastics products and nylon manufacture and which are made by a small number of companies. DSM of the Netherlands has a good position in both areas.

As for ICI, the recent financial results show the company is performing well in several areas such as pharmaceuticals and crop-protection materials which clearly come under the heading of specialities. Its standing in some of the other areas labelled as such by the company is more open to question.

For example, in paints, where with sales last year of £1.3bn it is the world leader, ICI gains about two thirds of its turnover from decorative coatings and so is more exposed than it might hope to the vagaries of the world construction business. In polyester films, for industries such as photography and packaging, the company is being hurt by competitors, particularly from the Far East.

As for plastic/fibre high-strength composite materials for use in industries like aerospace, ICI is finding that the products certainly command high prices. Marketing and development costs, however, are in the stratosphere too. And growth in the industry, especially in the US, is less than expected, to some degree due to shortfalls in Defence Department spending.

Mr David Ingles, an analyst at James Capel, a London broker, says that, like many in the industry, he is worried about ICI's performance. "ICI has taken the lead in the sector in de-emphasising its bulk interests in the cause of insulating itself better from cyclical economic trends. But one has to question just how non-cyclical many of the businesses it is going into really are."

Premier advances after poultry disposal

By Jim Jones in Johannesburg

PREMIER GROUP, the diversified South African food group, lifted sales by 10 per cent in the six months to September 30.

The results follow disposal of the loss-making poultry operations and a divestment from South African Breweries (SAB).

The SAB shares were transferred to a new company called Bevcon whose shares were then transferred to Premier's shareholders.

Turnover rose to R2.10bn ($794m) in the half year to September. This compares with R1.92bn in the corresponding half of the last financial year.

This is against R4.15bn in the last financial year as a whole.

The interim trading profit before interest and tax rose to R142.7m from R116.9m and the pre-tax profit increased to R107.4m from R87.5m.

The last financial year's trading profit totalled R286.8m and the year's pre-tax profit was R220.7m.

Mr Peter Wrighton, the chairman, said Premier normally earns more in the second half of its financial year, which period includes Christmas.

Mr Wrighton warned that trading conditions were likely to remain difficult.

He said he does not expect any near-term relief from high interest rates.

The first half's earnings rose to 72 cents a share from 60 cents and an interim dividend of 25 cents was declared in July.

INTERNATIONAL CAPITAL MARKETS

Brazil starts renegotiating neighbours' $3.6bn debts

By John Barham in São Paulo

BRAZIL has begun renegotiating part of the $3.6bn owed to it by neighbouring Latin countries and has offered to convert the debt – about one third of which is in arrears – into local currency funds.

These funds would be used to pay for Brazil's imports from the debtor countries, and maybe also to finance cross-border joint ventures or provide additional local currency financing to complement World Bank and Inter American Development Bank loans.

Mr Sergio Amaral, international affairs secretary at Brazil's Finance Ministry, said: "These debts have become more than just a financial problem, because as our exposure to these countries increases, so the value of new credits must be reduced, impeding trade and regional integration."

Mr Amaral has concluded negotiations with Guyana and Paraguay, which owed $15m and $350m respectively. They chose to swap their debts for Brazilian debt certificates, which currently trade at less than a quarter of face value on the secondary debt markets.

Mr Amaral said: "This way we got paid something by effectively conceding low interest rates to the debtors, and stopped paying full interest on a portion of our existing debt."

Only countries severely short of hard currency or suffering from serious payments imbalances will be eligible for conversion. That excludes Venezuela, Colombia and Argentina.

The local currency funds will be offered to Peru, Bolivia and Ecuador which owe about $400m each. Bolivia has begun to negotiate a local currency fund agreement with Brazil.

Brazil, the developing world's largest debtor, owes $110.7bn – but it is also owed $9bn by other developing countries.

Brazil had to scale back its own debt conversion mechanisms last year. However, the central bank has said that $1.16bn of debt had been converted into local currency investments in the first nine months of 1989. Last year it cancelled $6.7bn in debt.

Bahrain bank in Gucci debt and equity placing

INVESTCORP, the Bahrain-based investment bank, has privately placed $135m worth of debt and equity in Gucci, Chaumet and Breguet, the luxury goods companies, writes Katharine Campbell.

The placement went partly to funds managed by the bank, other financial institutions and private investors.

Investcorp purchased 50 per cent of Gucci in May, having acquired Chaumet, the French jeweller, and Breguet, the precision watch maker, in November 1987. It said the placement did not involve changing control at any of the companies.

The bank has used this investment participation technique with other holdings.

Futures trades in Europe surge to 6m in October

By Deborah Hargreaves

EUROPE'S two major futures exchanges saw a dramatic increase in trading activity in October, when volume on both the Marche a Terme International de France (Matif) and the London International Financial Futures Exchange (Liffe) leapt to some 3m contracts each.

Despite the world financial markets' jitters suffered during the month, trading activity on the two markets doubled compared with the same month last year to reach 3.07m lots on Liffe and 2.93m on the Matif.

Matif's Notional French government bond futures contract averaged 74,908 lots a day and its Notional options contract reached an average daily volume of 38,549 contracts.

At Liffe, the short sterling futures contract was the most heavily traded, averaging some 50,000 contracts a day. Liffe volume set a record on October 16 when 382,209 futures and options contracts were traded.

● The US credit agency Standard & Poor's has lowered to A-3 the short-term Eurocommercial paper and certificates of deposit ratings of Bergen Bank, and affirmed the same A-3 ratings of Den norske Creditbank (DnC).

From April 1, the banks will complete their merger to form Den norske Bank (DnB), Scandinavia's seventh largest bank with combined assets of NKr210bn ($30bn).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 13

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Kobe City 4⅝ 98	150	†88½	89	0	0	6.35
Leeds Perm. B/S. 4¼ 93	200	†89¾	90¼	−0⅛	−0⅛	7.49
Malaysia 5¼ 98	100	†84	85	+0¼	+0¼	7.77
Maxwell Comm.Crp. 5 95	150	†77¾	78	+0⅜	−0¼	10.40
Nat.Bk. Hungary 5½ 94	75	†88	90	0	+0¼	8.22
Nationwide Ang.B/S. 4 93	200	†89½	90	+0⅛	+1	7.34
Prov. Newfoundland 5 03	150	†86¼	87	+0⅛	+0⅛	6.47
Thailand 4⅝ 95	200	†86½	87½	+0⅛	+0½	7.52
World Bank 5 03	150	†86	86½	−0¼	−0¼	6.54

Average price change... On day +0⅛ on week +0¼

[illegible]						
Sumitomo Bank 3⅛ 04 US	2/89	3897.	81⅞	82⅞	−0⅛	5.90
Texas Inst. 2¾ 02 US	1/87	82.87	75	76	−0⅞	107.67
Utd.Newspapers 8 04 £	10/89	8.77	108⅜	109⅜	+0⅞	103.87
W.R. Grace 6¼ 02 US	9/87	42.12	90¼	91¼	−0⅛	32.28

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by DATASTREAM International.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 13, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.7965	33.7298	43.6743
Albania	(Lek)	10.0407	6.3528	3.4123	4.4183
Algeria	(Dinar)	12.7360	8.0582	4.3282	5.6044
Andorra	(Fr Fr)	9.9800	6.3144	3.3916	4.3916
	(Sp Peseta)	185.90	117.6210	63.1775	81.8041
Angola	(Kwanza)	47.86u	29.9180	16.2650	21.0605
Antigua	(E Carr $)	4.2445	2.6855	1.4424	1.8677
Argentina	(Austral)	1028.70	650.8699	349.6006	452.6732
Aruba	(Florin)	2.8140u	1.7900	0.9563	1.2382
Australia	(Aus $)	1.9980	1.2641	0.6790	0.8792
[illegible]					
Falkland Is	(Falk £)	1.00	0.6327	0.3398	0.4400
Faroe Is	(Danish Kroner)	11.4150	7.2223	3.8793	5.0231
Fiji Is	(Fiji $)	2.3737	1.5018	0.8066	1.0445
Finland	(Markka)	6.7828	4.2915	2.3051	2.9847
France	(Fr)	9.9800	6.3144	3.3916	4.3916
Fr. Cty/Africa	(CFA Fr)	499.00	315.7228	169.5836	219.5819
Fr. Guiana	(Local Fr)	9.9800	6.3144	3.3916	4.3916
Fr. Pacific Is	(CFP Fr)	179.30	113.4451	60.9345	78.8998

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gabon	(CFA Fr)	499.00	315.7228	169.5836	219.5819
Gambia	(Dalasi)	12.0399	7.6177	4.0917	5.2980
Germany East	(Ostmark)	2.9425	1.8617	1	1.2948
Germany West	(D-Mark)	2.9425	1.8617	1	1.2948
Ghana	(Cedi)	459.34	290.6295	156.1053	202.1298
Gibraltar	(Gib £)	1.00	0.6327	0.3398	0.4400
Greece	(Drachma)	262.25	165.9285	89.1248	115.4015
Greenland	(Danish Krone)	11.4150	7.2223	3.8793	5.0231
Grenada	(E Carr $)	4.2445	2.6855	1.4424	1.8677
Guadaloupe	(Local Fr)	9.9800	6.3144	3.3916	4.3916
Guam	(US $)	1.5805	1	0.5371	0.6954
[illegible]					
Namibia	(S A Rand)	4.1915	2.6520	1.4244	1.8444
Nauru Is	(Australian $)	1.9980	1.2641	0.6790	0.8792
Nepal	(Nepalese Rupee)	37.75	23.8848	12.8292	16.6116
Netherlands	(Guilder)	3.3200	2.1006	1.1282	1.4609
N'nd Antilles	(A/Guilder)	2.8296u	1.8000	0.9616	1.2451
New Zealand	(NZ $)	2.6860	1.6994	0.9128	1.1819
Nicaragua	(Cordoba)	33606.00	21262.8914	11420.9005	14788.1188
Niger Rep	(CFA Fr)	499.00	315.7228	169.5836	219.5819
Nigeria	(Naira)	11.6328	7.3602	3.9533	5.1189
Norway	(Nor. Krone)	11.0050	6.9629	3.7400	4.8426
Oman	(Rial Omani)	0.6075	0.3843	0.2064	0.2673

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	33.00	20.8794	11.2149	14.5214
Panama	(Balboa)	1.5805	1	0.5371	0.6954
Papua New Guinea	(Kina)	1.3589	0.8597	0.4618	0.5979
Paraguay	(Guarani)	1872.60	1184.8149	636.3976	824.0264
Peru	(Inti)	8860.50	5606.1972	3011.2149	3899.0099
Philippines	(Peso)	33.40	21.1325	11.3508	14.6974
Pitcairn Is	(£ Sterling)	1.00	0.6327	0.3398	0.4400
	(NZ $)	2.6860	1.6994	0.9128	1.1819
Poland	(Zloty)	4920.63	3113.3375	1672.2616	2165.2937
Portugal	(Escudo)	251.70	159.2534	85.5395	110.7590
Puerto Rico	(US $)	1.5805	1	0.5371	0.6954
[illegible]					
Virgin Is-US	(US $)	1.5805	1	0.5371	0.6954
Western Samoa	(Tala)	3.6377	2.3016	1.2362	1.6007
Yemen	(Rial)	15.3270	9.6975	5.2088	6.7445
Yemen PDR	(Dinar)	0.5392u	0.3430	0.1832	0.2372
Yugoslavia	(Dinar)	89893.00	56876.3049	30549.8725	39556.8756
Zaire Rep	(Zaire)	697.63	441.3982	237.0875	306.9878
Zambia	(Kwacha)	28.80	18.2220	9.7875	12.6732
Zimbabwe	($)	3.57	2.2587	1.2132	1.5709

Special Drawing Rights November 10,1989 United Kingdom £1.24377 United States $1.27549 Germany West D Mark 2.36016 Japan Yen181.948 European Currency Unit Rates November 13,1989 United Kingdom £1.42629 United States $1.10321 Germany West D Mark 2.05573 Japan Yen158.477

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, November 13, 1989 **Corrected Columbian rates for Nov.6 £656.50. $415.65. DM224.45. Yen289.20.

INTERNATIONAL CAPITAL MARKETS

East German influx triggers Bund selling

By Rachel Johnson in London and Janet Bush in New York

EUROPEAN government bond markets took exception to the events in East and West Germany, greeting them with heavy price falls – led by one of 1¼ point in the German cash market.

GOVERNMENT BONDS

This bearish response to exciting political news was driven by fears of inflation and higher interest rates following the influx of free-spending refugees.

The impact of this on budget deficit financing was viewed suspiciously by the market – which was already digesting the news that the Government would probably be issuing DM6bn of new Bunds into a sellers' market to finance a housing fund for the newcomers.

With political uncertainty and the prospect that West Germany may have to spend heavily to reconstruct East Germany's economy, the day saw heavy falls. Trading was futures led, where bonds were traded 50 basis points below their opening levels. Ten-year bonds experienced the sharpest falls, with the December 7¼ per cent bond rising to yield 7.36 per cent, following its 7.24 per cent yield on Friday.

On shorter dated stocks, falls were less marked, with two to three year bonds down ¾ point rather than 1¼ point at the longer end.

The setback for German bonds had a knock-on effect on other bond markets.

The German Bund on Liffe in London traded at a low of 90.42 after opening at 91.05. It closed at 90.46, after strong institutional selling.

In France, futures also led the way down. The December contract on Matif lost 78 points to close at 104.92, while on the cash market, there were falls of about 50 centimes.

In Denmark, the key 20-year 9 per cent mortgage bond due 2006 opened at 93.00, down from 93.25. And in the Netherlands, Guilder bonds opened 70 cents below Friday's closing levels and failed to recover ground.

■ IN THE UK, a poor day was attributed less to the events in eastern Europe, more to a flurry of economic conjecture and suspicion that the Chancellor's autumn statement, due on Wednesday, would bring bad news about public spending.

Gilts lost ¼ point on the day, mainly in reaction to the producer price index in the US and the hint of an increase in the UK public sector borrowing requirement. The 9 per cent Treasury bond due 2008 finished at at 93.20, yielding 9.74, after an overnight level of 93.31.

The long gilt future lost more, opening at 92.02 to close at 91.27.

■ US GOVERNMENT bonds moved modestly lower ahead of the Treasury's sale of $10bn in 10-year bonds.

The mood was cautious partly because of the continuing quarterly refunding and because there is a great deal of economic data to be digested today.

At midsession, the benchmark long bond was quoted ⅜ point lower for a yield of 7.92 per cent. The 8 per cent issue due 1999 was also quoted ⅜ point lower to yield 7.96 per cent.

Expectations for the 10-year sale were fairly positive as traders hoped for reasonable Japanese interest. Some of the primary dealers are holding short positions in the issue, which will be covered through purchases at the auction.

The small price declines yesterday morning reflected some nervousness after last Friday's three-year auction, which attracted Japanese investors and primary dealers but little end demand from domestic investors.

Yesterday also saw a sale of $16bn in three-year and six-year bills. Today the refunding closes with the $10bn sale of 30-year bonds.

The long bond sale coincides with the publication of several important economic releases and the start of the Federal Open Market Committee regular meeting.

Figures on October retail sales, industrial production and capacity use are all scheduled for publication today. All three releases are expected to provide further evidence of a slowing economy.

The Fed's target for Fed funds is 8½ per cent for the time being. The central bank appeared to confirm that it did not want the Funds rate any lower by draining reserves through two-day matched sales yesterday when Funds were trading at 8¼ per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-22	-2/32	11.51	11.65	11.85
		9.750	1/98	95-01	-9/32	10.67	10.70	10.77
		9.000	10/08	93-21	-11/32	9.74	9.77	9.75
US TREASURY *		8.000	8/99	100-10	-8/32	7.95	8.02	8.04
		8.125	8/19	102-11	-8/32	7.92	7.97	8.04
JAPAN	No 111	4.600	6/98	94.2763	-0.163	5.59	5.57	5.43
	No 2	5.700	3/07	101.5056	-0.361	5.53	5.42	5.25
GERMANY		6.750	6/99	95.2000	-1.100	7.46	7.31	7.14
FRANCE	BTAN	8.000	7/94	94.0321	-0.577	9.62	9.80	9.40
	OAT	9.125	5/99	94.1400	-0.490	9.05	9.17	8.91
CANADA *		9.500	10/98	100.1250	-0.125	9.48	9.52	9.60
NETHERLANDS		7.250	7/99	98.3400	-0.730	7.80	7.72	7.53
AUSTRALIA		12.000	7/99	92.7411	+0.204	13.35	13.41	13.68

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

NCSC calls for bourse reforms in Australia

AUSTRALIA'S corporate watchdog, the National Companies and Securities Commission (NCSC), said urgent reforms were needed in the country's share clearance and settlement system to keep pace with the rest of the world, Reuter reports.

NCSC deputy chairman Mr Charles Williams said he would head a committee to help co-ordinate reforms.

Australian bourses should try to meet standards proposed recently by the Group of 30, including settlement on the fifth day after a trade, reducing it to three days by 1992, he said. At present Australia has no fixed settlement date.

"Failure by our market to meet the standards set by the Group of 30 will only further reinforce the concerns of foreign investors about the inefficiency of the Australian clearance and settlement system.

"A key recommendation by the Group of 30 is that by 1990 national markets should achieve settlement on the fifth day after a trade takes place and by 1992 a three-day settlement," said Mr Williams.

"The UK and the US authorities have established high level bodies to review the Group of 30 recommendations and co-ordinate implementation of the necessary reforms."

Mr Williams said that the small size of the Australian market made it vulnerable to inefficiencies in clearance and settlement because of the resultant loss of liquidity.

Even domestic participants would then be forced to seek higher liquidity offered overseas, he pointed out.

The steering committee would ensure an early decision on the best electronic transfer system for the market, he added.

Correction
Gilt Conversion

Yesterday's Financial Times incorrectly described the stock the Bank of England is willing to convert into the 9 per cent Treasury Loan 2008 as the 9¾ per cent Treasury Conversion 2002. This should have read: 9¾ per cent Conversion Stock 2006.

First borrower from West taps liberalised Austrian bourse

By Andrew Freeman

THE FIRST Western borrower to tap the recently-liberalised Austrian capital markets was announced yesterday when Oesterreichische Laenderbank (OLB) confirmed that it is the lead manager of a Sch700m five-year bond issue for Bayerische Hypotheken- und Wechselbank, the West German bank.

The issue is the third for a foreign borrower in the Austrian domestic market since January, when the Government announced plans to lift exchange controls and liberalise Austria's capital markets.

The Bayerische Hypotheken bonds open for public subscription today and offer investors a 7⅜ per cent coupon for a yield of 7.24 per cent.

In August, Creditanstalt Bankverein managed a successful Sch1bn six-year deal for Vnesheconombank, the Bank for Foreign Economic Affairs of the USSR. OLB was the lead manager of a Sch1.5bn issue for the National Bank of Hungary.

● RZB Austria officially opened its London branch yesterday, having gained Bank of England approval. RZB is the central bank within the Raiffeisen Banking Group, the largest financial services group in Austria with assets of more than Sch500bn.

The London branch will concentrate initially on trade finance and syndicated loans. Dr Klaus Liebscher, RZB's chairman, said that the bank's experience in eastern Europe made it ideally placed to offer tailor-made services to UK companies. In the longer term, the bank will develop opportunities in Austrian equities and bonds for UK and institutional investors.

Arco British gains £400m loan through Barclays

By Stephen Fidler, Euromarkets Correspondent

ARCO BRITISH, a wholly-owned subsidiary of Atlantic Richfield of the US, has arranged £400m in bank finance, £100m of which is committed, through Barclays Bank.

The seven-year multi-option facility, guaranteed by the parent, includes a £300m uncommitted facility with a 26-bank tender panel. The £100m committed standby has a term-loan option and is provided by five banks.

Citicorp and Société Générale have underwritten an FFr510m financing for the purchase of Ferembal, the canning and packaging group, by the US group Viatech – the second French leveraged financing to reach the market in recent weeks. The financing, part of which is secured on the company's assets, is in four parts, with maturities ranging from five-eight years and margins over Paris interbank rates of between 1¼ and 3 percentage points.

Scandinavian Airlines System (SAS) has mandated Dai-Ichi Kangyo Bank to raise a $100m revolving credit at aggressive terms – an interest margin of 10 basis points for 7 years, and a 6 basis point facility fee.

Thomson, the French electronics, consumer products and financial services group, has a $300m medium-term note programme arranged by Swiss Bank Corporation.

Issue is a first for Copenhagen

PRIVATBANKEN is introducing the first foreign corporate bond on the Copenhagen exchange – a DKr300m issue over 13 years at 10 per cent for the Finnish state-controlled industrial group Enso-Gutzeit, writes Hilary Barnes.

The loan will not carry a state guarantee, but bond-holders will have the right to redeem the loan at parity if Finland reduces its holding to 50 per cent or less.

New issue activity fades as bond yields move higher

By Andrew Freeman

EUROBOND MARKETS saw a dearth of new issue activity yesterday, with traders reporting limited secondary market business.

INTERNATIONAL BONDS

Sentiment was cautious ahead of today's US long-dated Treasury auction, while the sharp falls on European government bond markets depressed dealing in international bonds.

Secondary trading was light, with Euro-dollar bonds edging down from Friday's levels. Longer maturity bonds fell by around ¼ point, while short-dated bonds were largely unchanged.

Among recent new issues, the Alberta $750m bonds traded amid steady demand around their launch spread against Treasuries of 47 basis points. Dealers said the issue was bucking the downward trend and that there had been exceptional interest in the paper last week.

The New Zealand $350m issue brought by Morgan Stanley on Friday settled at its re-offered price of 100.90, and traded in line with Treasuries at 77 basis points over the yield curve. Toyota Motor Credit Corporation's $250m issue performed steadily, trading at 99.95 bid.

Limited new issue business consisted mainly of private placements. On the public bond markets in Tokyo, Nomura Securities is expected to sign the first dual-currency Samurai issue tomorrow. The Y120bn deal for the Kingdom of Denmark will pay a 7.3 per cent coupon in Australian dollars and will be redeemed at par in yen.

In Germany, traders said there was considerable professional business as prices fell across the board in response to political events. Ten-year bonds fell by around a full point, with other maturities down by ¼ to ¾ point.

Deutsche Bank was the lead manager of the day's only new issue, a DM70m deal with warrants for Topre Corporation.

In Switzerland, a quiet session saw a single new issue. Banque Paribas Suisse brought a SFr110m 10-year straight issue for City of Yokohama. The bonds offered a 6¼ per cent coupon and were priced at 101½.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Topre Corporation♦	70	(1⅝)	100	1993	1⅜/⅞	Deutsche Bank AG
Japan Synthetic Rubber ♦◆(a)	200	1⅝	100	1994	2¼/1½	BHF-Bank
Oko Sokki Co.♦◆(a)	70	1½	100	1993	1⅜/⅞	Commerzbank
SWISS FRANCS						
City of Yokohama	110	6¼	101½	1999	2⅞	Banque Paribas (Suisse)
Honshu Paper Co.★★♦◆(a)	200	1¼	100	1994	1⅝	Credit Suisse
AUSTRIAN SCHILLINGS						
Bayerische Hypotheken◆	700	7⅜	100.55	1994	1.8/1	Oest Laenderbank
YEN						
Okobank‡◆(b)	1.5bn	(c)	100⅞	1990	⅞/½	Mitsubishi Finance Int
Okobank‡◆(b)	1bn	(d)	100⅞	1990	⅞/½	Mitsubishi Finance Int
Kingdom of Denmark◆(e)	120bn	7.3	100.65	1996	⅛/1⅛	Nomura Securities
Monte dei Paschi◆	10bn	6⅜	101¼	1993	1⅜/⅞	Taiyo Kobe Int

★★Private Placement.♦ With equity warrants. ‡Floating rate note. ◆Final terms. a)Issue update. b)Issue launched in two tranches. c)3 month Libor + ⅛ for 3 months then 7¼%. d)3 month Libor + ⅛ for 3 months then 3 month Libor + 75 bps. e)Dual currency Samurai bond. Coupon payable in Australian Dollars.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Nov 13 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Nov 10 Index No.	Thu Nov 9 Index No.	Wed Nov 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	879.87	-0.6	12.67	4.83	9.67	28.51	885.24	886.39	890.26	802.12
2 Building Materials (28)	1863.95	-0.2	14.95	5.28	8.34	35.83	1866.33	1867.51	1864.74	1818.79
3 Contracting, Construction (37)	1406.49	-0.4	17.63	5.50	7.44	56.04	1411.67	1409.28	1406.77	1552.01
4 Electricals (10)	2523.82	-0.4	10.91	4.93	11.52	83.50	2534.17	2532.99	2535.38	2353.71
5 Electronics (30)	1922.56	-1.2	9.59	3.82	13.44	51.07	1945.75	1942.29	1977.58	1719.97
6 Mechanical Engineering (53)	460.60	-0.8	12.16	4.88	10.01	14.90	464.35	468.39	469.62	423.87
8 Metals and Metal Forming (6)	460.52	-0.4	22.32	6.50	4.94	16.13	462.41	464.51	462.77	504.47
9 Motors (18)	360.79	-0.2	11.04	4.80	10.63	11.79	361.53	361.80	364.09	277.21
10 Other Industrial Materials (24)	1641.86	-0.6	10.07	4.57	11.71	54.07	1651.53	1649.80	1655.92	1337.58
21 CONSUMER GROUP (185)	1256.37	+0.1	8.74	3.54	14.39	29.55	1255.58	1249.33	1253.02	1047.51
22 Brewers and Distillers (23)	1402.92	-0.1	9.33	3.51	13.42	28.12	1404.56	1402.16	1403.95	1127.94
25 Food Manufacturing (20)	1093.71	-0.3	9.30	3.98	13.46	25.81	1097.11	1086.24	1097.72	948.19
26 Food Retailing (15)	2295.13	-0.6	9.11	3.10	14.52	44.99	2308.88	2296.93	2314.61	1795.54
27 Health and Household (14)	2552.99	+1.3	6.10	1.88	19.52	41.91	2520.90	2506.29	2502.02	1808.33
29 Leisure (34)	1564.34	-0.5	8.30	3.67	14.85	41.11	1572.06	1560.26	1579.62	1398.02
31 Packaging & Paper (15)	532.67	+0.2	11.27	5.58	11.07	17.67	531.84	532.42	531.16	536.59
32 Publishing & Printing (18)	3637.63	+0.4	8.60	4.76	15.04	118.23	3624.65	3619.90	3607.56	3392.94
34 Stores (32)	778.33	-0.4	10.97	4.75	11.88	24.22	781.54	779.39	778.90	724.02
35 Textiles (14)	515.23	-0.5	11.09	5.71	10.94	18.11	518.04	514.40	511.91	499.52
40 OTHER GROUPS (94)	1110.91	+0.3	10.59	4.61	11.45	27.82	1107.40	1103.96	1108.64	894.62
41 Agencies (17)	1493.81	+0.4	7.06	2.42	17.46	26.28	1487.60	1488.40	1495.89	1063.81
42 Chemicals (22)	1183.11	+0.4	12.83	5.29	9.17	43.57	1178.47	1173.87	1184.20	1030.46
43 Conglomerates (14)	1608.15	-0.2	10.62	5.30	11.11	36.25	1611.81	1609.74	1616.47	1237.18
45 Transport (13)	2124.51	-0.3	10.51	4.41	12.16	57.65	2130.04	2142.63	2160.59	1932.74
47 Telephone Networks (2)	1077.96	+1.1	11.25	4.58	11.59	22.38	1066.14	1063.67	1062.86	972.06
48 Miscellaneous (26)	1842.56	+0.1	9.43	4.47	11.97	45.43	1840.98	1824.09	1827.58	1198.13
49 INDUSTRIAL GROUP (485)	1131.61	......	10.25	4.17	12.03	29.68	1131.96	1128.72	1132.87	956.73
51 Oil & Gas (15)	2133.70	-1.1	10.15	5.32	13.02	96.40	2156.82	2128.39	2139.26	1723.02
59 500 SHARE INDEX (500)	1216.03	-0.2	10.24	4.33	12.16	35.10	1218.16	1212.93	1217.63	1021.95
61 FINANCIAL GROUP (121)	783.49	-0.3	–	5.32	–	28.61	785.71	776.13	765.91	679.85
62 Banks (9)	799.28	-0.8	21.58	6.25	6.09	35.17	805.62	784.88	759.99	661.37
65 Insurance (Life) (8)	1307.47	......	–	4.85	–	47.56	1307.13	1293.14	1283.20	947.19
66 Insurance (Composite) (7)	659.83	-0.3	–	5.73	–	28.34	661.98	658.27	655.82	510.88
67 Insurance (Brokers) (7)	1086.61	+0.4	6.93	5.78	19.21	45.26	1082.36	1092.56	1096.88	902.76
68 Merchant Banks (11)	427.48	......	–	3.95	–	9.70	427.69	423.34	424.34	342.11
69 Property (49)	1182.01	+0.3	7.59	3.48	16.65	23.34	1178.59	1178.18	1173.81	1234.47
70 Other Financial (30)	322.24	-0.2	12.41	6.66	10.52	14.48	323.04	321.54	322.80	359.84
71 Investment Trusts (69)	1204.10	......	–	2.90	–	22.73	1204.49	1202.15	1205.42	923.20
81 Mining Finance (1)	708.28	+0.7	10.54	3.80	10.66	22.25	703.15	708.28	698.01	569.45
91 Overseas Traders (7)	1398.97	+0.2	9.80	5.78	11.60	54.79	1396.78	1402.60	1398.61	1382.31
99 ALL-SHARE INDEX (698)	1112.75	-0.2	–	4.44	–	33.23	1114.66	1100.87	1109.80	937.87

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Year ago
FT-SE 100 SHARE INDEX‡	2213.2	-3.5	2233.8	2211.5	2216.7	2201.7	2203.8	2178.2	2169.6	1794.3

FIXED INTEREST

	PRICE INDICES	Mon Nov 13	Day's change %	Fri Nov 10	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.96	-0.03	116.99	–	10.50
2	5-15 years	130.44	-0.20	130.71	–	11.60
3	Over 15 years	139.28	-0.25	139.63	–	12.71
4	Irredeemables	157.09	-0.62	158.07	–	13.42
5	All stocks	128.50	-0.16	128.70	–	11.52
	Index-Linked					
6	Up to 5 years	140.26	-0.12	140.44	–	2.79
7	Over 5 years	138.74	-0.13	138.92	–	3.21
8	All stocks	138.73	-0.13	138.92	–	3.15
9	Debentures & Loans	107.84	+0.29	107.92	0.40	9.59
10	Preference	85.69	-0.21	86.65	0.78	6.03

	AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 13	Fri Nov 10	Year ago (approx.)
	British Government				
1	Low	5 years	9.95	9.93	9.80
2	Coupons	15 years	9.67	9.63	9.31
3		25 years	9.59	9.55	8.97
4	Medium	5 years	11.02	10.98	10.19
5	Coupons	15 years	10.06	10.01	9.54
6		25 years	9.70	9.66	9.21
7	High	5 years	11.14	11.11	10.32
8	Coupons	15 years	10.26	10.22	9.66
9		25 years	9.86	9.81	9.25
10	Irredeemables†		9.68	9.61	8.91
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.46	3.42	2.87
12	Inflation rate 5%	Over 5 yrs.	3.61	3.60	3.59
13	Inflation rate 10%	5 yrs.	2.67	2.61	1.79
14	Inflation rate 10%	Over 5 yrs.	3.45	3.44	3.43
15	Debs &	5 years	13.70	13.75	11.15
16	Loans	15 years	12.17	12.28	10.93
17		25 years	11.82	11.86	10.70
18	Preference†		10.67	10.66	10.26

‡Opening index 2216.1; 10 am 2229.5; 11 am 2233.1; Noon 2229.1; 1 pm 2228.4; 2 pm 2228.2; 3 pm 2228.9; 3.30 pm 2224.3; 4 pm 2214.7
(a) 10.54am (b) 4.07pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. Funding 5¾% 1987-1991 has been excluded from the calculation of low coupon gilt yields since 20/10/1989.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	88	13
Corporations, Dominion and Foreign Bonds	12	16	15
Industrials	341	380	882
Financial and Properties	167	133	375
Oils	30	20	44
Plantations	2	0	7
Mines	59	28	81
Others	107	42	110
Totals	720	707	1,527

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov 6
● Last Dealings Nov 17
● Last Declarations Feb 8
● For settlement Feb 18

For rate indications see end of London Share Service

Calls in Amstrad, Aviva Pet., Bennett & Fountain, LIT, Brent Walker, Hanson warrants, Hyman, Leisure Invs., New England Props., Polly Peck, Tuskar Res., Westland.

LONDON TRADED OPTIONS

IT WAS A dull day yesterday for the London Traded Options Market, where many traders sat on the sidelines ahead of the autumn economic statement by the UK Chancellor of the Exchequer on Wednesday.

Options trading volume was sparse at 20,808 contracts with the bulk of business concentrated in call options, where 13,430 lots changed hands against 7,378 put options.

Most of yesterday's activity was focused on individual stock options such as British Telecom, which traded 1,897 contracts, and British Gas, where 1,346 lots changed hands.

Much of the trading in stock options was in advance of results' announcements in the next few weeks and as a defensive hedge against a drop in the stock market.

Activity in British Telecom and British Gas was concentrated in call options where 1,625 contracts and 1,221 lots were traded respectively. Other active stocks included Hanson Trust and British Petroleum, which saw turnover of 1,275 and 1,011 lots.

Trading in the FT-SE 100 index was unusually thin, with volume down to a slim 4,649 contracts. This activity was split evenly between puts and calls, with 2,292 put options traded and 2,357 calls. In FT-SE 100 index, the longest serial series was the December 2200 put which traded 1,303 contracts.

The mood of the market was one of caution with traders anxiously anticipating the effect the Chancellor's autumn statement may have on the UK stock market. Many options players believe the UK market is due for some correction and they are wary of getting caught out.

One of the reasons for yesterday's quiet market could be a seasonal slowdown, although traders believe the market could pick up towards the end of the week.

Total exchange open interest had declined on Friday to 819,387 contracts with open interest in the FT-SE 100 index dropping to 119,635 lots.

[illegible]

UK COMPANY NEWS

US acquisitions push interest charges sharply higher

BOC restricted to 10% rise at £331m

By Ray Bashford

BOC, the industrial gases and healthcare company, lifted pre-tax profits 10 per cent in the year to September 30, constrained by increased interest charges and more difficult trading conditions in the fourth quarter.

Mr Richard Giordano, chairman, said pre-tax profits rose from £301.5m to £330.5m on a 10 per cent improvement in turnover to £2.82bn (£2.56bn). Earnings per share increased 11 per cent to 49.15p (44.37p).

The shares firmed 10p to 494p following the announcement, although some City analysts made modest reductions in their profit forecasts for the current year.

In keeping with the company's new dividend policy, thedirectors set the dividend at 19p for the current year, representing a 14 per cent improvement. A 9.5p interim will be paid next February.

The company's dominant gases business experienced tighter conditions during the past three months of the year and these have continued into the current period.

The gases division returned operating profits of £254.2m (£219.4m); however, the third quarter contribution of £63.3m was up only £3.3m on the comparative period. Turnover in the year was £1.74bn (£1.49bn).

Richard Giordano – confident on outlook in Asian countries

A sharp rise in the interest bill, especially in the US, also restrained growth. BOC paid £65.1m (£51.9m) in interest charges of which £57m resulted from charges relating to recent US acquisitions. Net borrowings totalled £695.9m (£607.3m) at the balance sheet date.

The health care business, centred in the US and expanded by the $143.5m purchase of two division of AmeriGas, returned a 17 per cent annual growth in operating profits to £106.5m (£90.8m). Turnover rose to £668.2m (£585.2m).

Glasrock, the US home health care group, failed again to meet forecasts and returned a small loss. The chairman, while expressing caution about forecasting for the current year, said that Glasrock was heading towards break-even after further heavy cuts in the workforce.

Increased returns from the US health care business helped consolidate the Americas as BOC's principal source for generating turnover, contributing £1.04bn (£1bn) while pre-tax profits fell to £74.1m (£89.4m), reflecting the higher interest charges.

European turnover was £704.8m (£626.3m) with the UK putting £500m into this figure. Pre-tax profits from Europe totalled £143.8m (£121.7m).

Mr Giordano was confident about the outlook for the company's operations in several rapidly growing Asian countries, where it is undertaking a significant capital expenditure programme.

Overall capital expenditure was £450m, down on the forecast £500m.

Asia/Pacific turnover was £882.2m (£765m) and pre-tax profits were £73.9m (£56.1m). Aided by lower corporate tax rates in Australia and New Zealand, as well as capital allowances in North America, BOC's tax charge fell to 26 per cent (28 per cent) of pre-tax profits.

See Lex

Further resignations surprise Dominion

By Clay Harris

DOMINION INTERNATIONAL Group, the financial services and property company whose shares have been suspended for nearly eight weeks, lost two more directors yesterday.

Lord Barnett, the former Labour minister, resigned as chairman and Mr John Clarke, a director of Robertson Group, quit as non-executive director.

In their letters of resignation, each stated that he saw no further role for himself at Dominion. Both joined the board during the period when Mr Max Lewinsohn was running the company. He resigned in August shortly before Dominion's AGM, at which several shareholders criticised the board.

Mr Carl Openshaw, managing director, yesterday described the two men's departure as "surprising and disappointing." He had hoped the board would stay together until the company produced the planned report on its financial situation. "We're getting close to an announcement," Mr Openshaw said.

Dominion's shares were suspended on September 21. A week later, the company said it could not proceed with payment of the 3p final dividend for 1988-89 because it had no distributable reserves. Dominion also said its financial position was "much worse" than at the previous year-end and that it planned to make "substantial provisions."

Neither Lord Barnett nor Mr Clarke could be reached for comment.

Water companies consider keeping statutory status

By Andrew Hill

SOME OF the 29 British water companies already in the private sector are considering hanging on to statutory company status.

One side-effect of such a decision would be to protect the companies against hostile takeovers.

The private companies, which supply water alongside the 10 much larger businesses due to be privatised next week, are afraid the Government may force them to accept limits on price increases. They believe that might create a false market in their thinly-traded shares and leave them vulnerable to takeover.

The statutory companies are negotiating with the Department of the Environment this week and have threatened to ask for suspension of their shares if they cannot agree a satisfactory funding arrangement. The 10 former water authorities received a debt write-off and a cash injection to prepare them for the market.

All 29 companies have the option of converting to public limited company status, with shareholder approval. Such a move would release the companies from limits on dividend distribution, but it would also end restrictions on voting rights which protect some of them from hostile bids.

Of the 29 companies, 14 are already controlled by larger groups, which include France's three largest water suppliers.

Yesterday, Eastbourne Water Company – controlled by SAUR Water Services, a subsidiary of French construction group Bouygues – said it had not decided whether to convert to plc status.

The announcement was aimed at dissuading the company's irredeemable preference shareholders from accepting an offer for their stock from Chase Investment Bank.

Eastbourne said discussions with SAUR to come up with an alternative to Chase's offer had been discontinued. But the company said its adviser, Brown Shipley, considered the "intrinsic investment value" of the shares was less than the 500p Chase bid.

Chase, which claims it has no hidden motive for the offers, has written to irredeemable preference stockholders in 12 of the statutory companies, to the irritation of their management.

AMP claims 18.8% of Pearl

By Ray Bashford

AUSTRALIAN Mutual Provident, Australia's biggest life company, has received acceptances representing 0.37 per cent of the capital in Pearl Group in response to its £1.1bn takeover bid.

These acceptances lifted AMP's holding to 18.8 per cent as it began a fourteen day extension period for its 605p per share offer.

Pearl will today release its defence document which will feature an appraisal value established by Tillinghast, the consulting actuaries. The estimate will become a central point in the group's argument for independence.

It was also announced yesterday that Mr Nicholas Ridley, the Trade and Industry Secretary, has decided not to refer the bid to the Monopolies and Mergers Commission.

Hardy Oil buys stake from Bond

By Steven Butler

Hardy Oil and Gas, the independent oil company formerly part of Trafalgar House, has added 2.5m barrels of oil to its reserves through the acquisition of a 7.5 per cent interest in the Harriet oil field, in the Carnarvon Basin off the coast of western Australia, from the Bond Corporation.

Hardy is part of a consortium acquiring the Bond Corporation's 57.67 per cent interest in the field. The cost to Hardy is $17.43m (£11.1m), to be financed by loans.

Aviva Petroleum, the UK oil and gas investment group, last week announced that it had failed to complete the purchase of the field for A$220 following the decision of Bond Corporation to sell it for an undisclosed cash sum.

Air Call in talks

Air Call Holdings, whose shares are traded under the Stock Exchange's matched bargain facility, said it was involved in talks which could lead to an offer being made for the company.

It had indicated in its 1988 annual report that various parties had expressed an interest.

Air Call, after spending five years on the Unlisted Securities Market, took itself private via an offer to shareholders in 1986.

Further disposals at Norton Group

By Peter Berlin

Norton Group, the motorcycle manufacturer, has agreed a £3.15m management buy-out of Minty Design Furniture, the Oxford-based furniture maker it acquired in June as part of a reverse takeover of Minty.

The sale means that Norton has now sold, or has contracts to sell, all the assets it gained with the acquisition, except for the full stock market listing.

The management consortium is led by Mr Michael Humphery, current managing director of MDF and a director of Norton Group. MDF lost £338,000 in the year to April 29.

In a separate management buy-out announced yesterday, Norton agreed to sell Aerofoam, a former Minty subsidiary, and some north London property for £180,000.

Norton has also agreed to sell seven development properties in Camden, north London, for £11.5m to Waterbay. It also received £475,000 in forfeited deposit from Priest Marians which pulled out of a bid for the Camden properties.

Mr Philippe le Roux, Norton Group chief executive, said the recent interest rate rises and the weakness of the property and furniture markets had accelerated the disposal of property and encouraged the sale of MDF.

● Norton has also bought Piping Products, a distributor of welding fittings in the south east US, for $450,000 (£285,000). Mr le Roux said the company was an exact fit with Pro-Fit Piping Components, the US engineering products distributor which Norton acquired in October 1988 for £8.7m.

Norfolk House buys 15 petrol stations

Norfolk House Group has spent £2.5m in acquiring 15 petrol stations and two development sites.

When the chain has been refurbished selective sales will be considered to further the policy of achieving a balance of property trading profits and asset enhancement.

The acquisition increases the number of stations owned and operated to 95.

S&N sells its stake in Stakis

Scottish & Newcastle Breweries has sold its 6.1 per cent equity stake in Stakis, the hotels, leisure, property and healthcare group.

The sum realised was not revealed.

The sale was arranged through SG Warburg who placed the shares with a number of institutions.

A spokesman for Scottish & Newcastle said the company had been a significant shareholder since Stakis first became a public company in 1972.

Both businesses have evolved rapidly since then, each developing along divergent lines, a recent example of such change being S&N's disinvestment from hotels.

He said that S&N was happy to maintain its close association as a major suppl ier to Stakis licensed retail outlets in Scotland and England.

Wembley restructures loans

By Andrew Bolger

Wembley, the leisure and property group, is to replace short-term borrowings in dollars and sterling and fund future acquisitions by using $30m (£19m) of guaranteed senior notes, which have been placed with two leading US insurance companies.

The notes, which have been arranged by Wertheim Schroder, the US banking affiliate of Schroders, have a 10-year average life and carry a fixed gross coupon of 9.58 per cent. The notes have warrants attached, which are exercisable over 4m ordinary Wembley shares at a 25 per cent premium.

UK COMPANY NEWS

Maxwell Communication rises to £85m

By Raymond Snoddy

MR ROBERT MAXWELL, the publisher, yesterday announced the first fruits of his transition from printer to pure publisher and his major thrust into the US market with an 18 per cent rise in pre-tax profits for the six months to September to £85.1m.

"Here we have a publishing empire firing on all cylinders," the chairman of Maxwell Communication Corporation said grandly yesterday.

The profit figure included 10 weeks contribution from Macmillan, the US publisher bought by Mr Maxwell last year for $2.6bn following its consolidation into the group. The Macmillan results were said to be 30 per cent ahead of the company's profit forecast.

Mr William Reilly, president of Macmillan for the past seven years and Mr David Shaffer, Macmillan executive vice president, have both been appointed to the MCC board.

Mr Maxwell teased City of London analysts yesterday by holding out the possibility of yet more flotations of bits of his publishing empire.

As well as the plan to float 44 per cent of Berlitz International, the language teaching business bought as part of Macmillan, Mr Maxwell also said that a partial flotation for Official Airline Guides, the travel information business bought from Dun & Bradstreet was also on the cards.

Mr Maxwell also pointed out to analysts that a floatation of Pergamon Journals and Macmillan would reach a sum greater than the present market capitalisation of MCC.

"The sole purpose was to try to get them (analysts) to add up," said Mr Maxwell. He would only consider floating Pergamon Journals or Macmillan if a major acquisition was in prospect and he had no such ventures in mind.

In addition Mr Maxwell is pushing ahead with his often mentioned plans to float Mirror group Newspapers. The flotation which will involve a maximum of 25 per cent is now expected next summer.

The MCC chairman said yesterday stockbrokers Smith Newcourt had been appointed brokers for the flotation.

Mr Eric de Belaigue, publishing analyst at CIBC Securities expressed puzzlement at Mr Maxwell's strategy.

"It's a Catherine Wheel policy of centrifugal forces where everything gets spun off," said Mr Belaigue who said he doesn't understand why Mr Maxwell tried so hard to become a major publisher and then starts selling bits off.

"If he is short of cash why is he also making acquisitions?" the CIBC analyst asked.

The MCC interims showed earnings per share of 10.3p up 17 per cent and the company has declared an interim dividend of 6.5p an increase of 8 per cent over last year's 6.0p.

Mr Maxwell described the results in a year of transition as excellent and said that both the company's relative isolation from changes in consumer spending because of its professional and specialist publishing operations and its North American emphasis were key factors in MCC's future.

MCC shares rose 10p following yesterday's results.

"Nine years ago this man," said Mr Maxwell, slipping into the third person, "bought a bankrupt printing and now through the policy of globalisation the achievement is stunning."

See Lex

Re-found confidence in Black Country

Richard Tomkins on twin brothers with an aversion to opposition

THE Richardson twins, Black Country boys turned property tycoons, have a strong aversion to obstruction of any kind.

Driving around the vast Merry Hill shopping centre they have built in Dudley, at the heart of the industrialised West Midlands, Mr Roy Richardson blasts angrily on his Range Rover's horn when a blockage at a delivery gate causes a momentary hold-up.

"I'll 'ave you on yer 'oss," he mutters darkly as he climbs out of the vehicle to approach the employee responsible, whose career prospects suddenly look unenviably bleak.

This is a small example of the Richardsons' style. A bigger one is Merry Hill itself, a 300-acre development that serves as a monument to the twins' determination to have their own way.

Today the Richardsons will open the latest phase of the development: a shopping mall incorporating 1.2m sq ft of retail space. With 600,000 sq ft of shopping already on the site, the Merry Hill Centre will be one of the biggest shopping complexes in Europe.

Ten years ago, the site now occupied by the shopping centre was home to the Round Oak steelworks, a massive plant that once employed 8,000, but was brought to its knees by recession and closed in 1984.

The Richardsons also felt the effects of recession. Previously in the heavy truck business, they saw their market collapse in the lean years, and switched into property. When Round Oak started selling redundant land in 1982, they started buying.

Since the Richardsons were born in a house overlooking Round Oak, it is easy to suppose that their interest in the site was driven by sentiment. However, two commercial considerations were more compelling: the cheapness of the unwanted land, and the fact that it lay within the Dudley Enterprise Zone.

Apart from a rates holiday and tax relief on building costs, enterprise zone status meant the relaxation of planning controls – a strong incentive to the Richardsons because it freed them from what they saw as the stifling bureaucracy of the planning system.

This meant they were able to buy the land without knowing quite what they were going to do with it. "We hadn't got any ideas," Roy Richardson says. "The point is that you can't plan in a recession. The main thing is to try and get some of your money back by developing and just doing what you can."

The Richardsons started with an industrial development on part of the site and used the proceeds to finance a foray into retail development which bore its first fruit with the opening of an MFI retail warehouse in 1986.

More retail sheds and a superstore followed, and the shopping mall that opens today incorporates multiples such as Marks and Spencer, Debenhams, Sainsbury, BhS, Littlewoods and C&A, as well as 150 smaller shops.

Construction has started on 300,000 sq ft of office space, a hotel, a conference centre, a heritage centre and sports and leisure facilities. A monorail system linking the whole is due to open next April.

Roy and Don Richardson sitting in their pride and joy, the Merry Hill shopping complex, Dudley.

No-one – not even the twins themselves – knew Merry Hill would grow as it has. Roads leading to the centre are groaning under the weight of the traffic it has created, and nearby towns fear for the viability of their high streets.

The Richardsons – immensely proud of their achievement – will brook no criticism.

"We were investing in this area in the depths of the recession when no one else was interested," says Roy Richardson. Now there are 5,000 to 6,000 jobs at Merry Hill compared with 900 when the steelworks shut, and other investors are coming in on the back of it. I'd like to have seen the planners do anything better."

The cost of the whole project is likely to run to £1bn. It is being carried out by the twins' private company, Richardson Developments, largely by reinvesting proceeds from earlier developments, and with minimal recourse to the banks, according to Roy Richardson.

At 59, their ambitions have not been exhausted. Rarely short of ideas for headline-hitting schemes, they plan to build the world's tallest tower on the Merry Hill site. "Whether we go ahead or not depends on whether the viability stacks up," said Roy Richardson. "If it does, the tower will put the Black Country back where it belongs: on the map."

Coates pays £22m for ICI offshoot

By Nikki Tait

COATES BROTHERS, the UK-based inks and resins company which last month recommended a £301m bid from the French state-owned Orkem group, is buying the West German screen printing inks business of Imperial Chemical Industries.

The West German interests are currently part of ICI Lacke Farben, and are based in Nuremberg, where they occupy a 6,000 sq m site making inks for use on plastics, metals and specialised bases like printed circuit boards.

Coates will acquire the tangible and intangible assets for around £22m cash. The assets bought will include the right to sell products under the Wiederhold trade mark for a 10-year period. After that, Coates could either attempt to negotiate for an extension or the trade mark could revert to ICI, which retains the right to use it in other product areas.

In 1988, the West German interests made an operating profit of £2.5m with sales standing at around £10m. Net assets at end-December were some £3.2m.

ICI said the sale represented part of its general "portfolio realignment".

It acquired the screen inks interests through an acquisition primarily of paint businesses in the 1970s.

Erostin 41% ahead at £3.6m

Erostin Group, the property developer, lifted pre-tax profits by 41 per cent to £3.64m in the half year to October 5 1989.

The group continued to increase emphasis on commercial developments, with exposure to the housing market being minimised wherever possible. Turnover fell from £19.36m to £18.15m. Earnings emerged at 10.6p (8.4p) and the interim dividend is raised to 3p (2p).

Negotiations were in hand for the sale of several commercial developments and sites, the directors stated.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Arlen ....int	nil	-	1.1	-	3.3
BOC ....int	9.5★	Feb 1	8.3	-☆	16.6
Erostin ....int	3	Feb 15	2	-	6
Maxwell Comms ....int	6.5★	Apr 2	6	-	18‡‡
Owen & Robinson ....int	0.15	Jan 8	-	-	0.3◆
Scot Cities Inv ....fin	17	-	20	24	27

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ★Carries scrip option. ‡‡For 15 months. ☆Total 19p forecast for current year. ◆For eight months after adjustment for subdivision.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ambrose Instruments, Blacks Leisure, Hartwell, Just Rubber, London Intl, Marshalls, Meyer Intl, Smaller Co's Intl Trust, Thames Television, Tomkinson, Uaigate, Yeoman Inv Trust.

Finals- Compass, Five Oaks, Midsummer Leisure, Nesco Inv.

FUTURE DATES

Interims-

Baker Harris Saunders	Dec. 5
Brown & Tawse	Dec. 4
Hazelwood Foods	Dec. 4
Mercury Asset Mngt	Nov. 15
Reliance Security	Dec. 1
Stockdale	Nov. 24
Turnbull Scott	Dec. 12
Volex	Nov. 20
Warburg (SG)	Nov. 21
Wishaw	Nov. 20

Finals-

Granada	Dec. 5
McLeod Russel	Nov. 15
Omnitech	Nov. 16

UK COMPANY NEWS

Jane Fuller examines Jersey-based Guiton's offer for Guernsey Press

A hostile takeover stirring up old island enemies

IN THE first hostile takeover battle between two Channel Islands businesses, the antipathy felt by Guernsey for its bigger neighbour could be a deciding factor.

The hostile bid by Guiton, publisher of the Jersey Evening Post, for Guernsey Press, publisher of that island's only newspaper, has stirred up emotions which make relations between Yorkshire and Lancashire look fraternal.

Ask a Guernseyman what he thinks of Jersey and words like "brash" and "holiday camp" spring to his lips; while his homeland is referred to lovingly as "quiet", "courteous" – "the thinking man's Jersey".

So Mr Frank Walker, Guiton's managing director, will need all the daring he once mustered to buy his way back into the family firm if he is to pursue the bid to the bitter end.

The great grandson of the founder, Walter Guiton, his progress through the business was abruptly halted in 1969 when he fell out with one of the uncles running the company.

Four years later he was, to put it mildly, saddened to learn that the Jersey Evening Post was up for sale. He mounted a coup by buying his way back into the company and gaining enough family support to land the managing directorship.

Since then the pugnacious but charming Mr Walker has, as even one of his Guernsey opponents remarked, pulled the company up by its bootlaces.

The newspaper moved to an out-of-town site, the latest printing technology was installed, and it switched from broadsheet to tabloid, with a circulation of about 25,000. The company has also widened its horizons, going into commercial printing, retailing and other types of publishing.

Now Mr Walker has offered 102 of Guiton's 255p shares for 100 of Guernsey's 240p shares, valuing the target at about £15m.

Yet to succeed he will have to wear down fiercely independent feelings on Guernsey, particularly concerning the broadsheet evening newspaper (circulation 16,700), which virtually every adult on the island reads at least once a week.

Mr Walker has repeatedly given assurances about the Guernsey Evening Press's independence.

The staff, however, are unimpressed. They have threatened to start a rival newspaper if Mr Walker, or any one else, takes over the business.

Yet from a more dispassionate position it is easy to see why Mr Walker has made his move.

Before 1988-89, Guernsey Press had a seven-year record of growth. But in the 12 months to February 28, pre-tax profit fell 28 per cent, from £1.03m to £740,000, on turnover that continued to rise, albeit more slowly, to £10.5m. Earnings per share declined from 14p to 10p and the accustomed increase in dividend was halted.

Meanwhile, Guiton saw its 1988 pre-tax profit increase to £1.66m (£1.34m) on turnover up to £15.2m. Earnings per share reached 11.3p (9.1p) and, for the first time for some years, its pre-tax margin was 11 per cent, a figure which had been the norm for Guernsey Press from 1986 to 1988.

In share prices, there was also a reversal for Guernsey – from 223p to 200p between April and September – while those of Guiton jumped from 180p to 250p.

The Guernsey side has questioned the value of the offer.

It claims that the trade in Guiton shares is thin even by Channel Island standards, and has dwelt on the fact that 58 per cent of Guiton's shares are owned by directors.

Looking at performance, Guernsey's management says the profit setback was only a temporary one linked to investment. There were delays and cost over-runs on a £1m-plus printing plant, mainly for the paperback book operation.

In addition, Mr Chris Sackett, managing director, says: "we invested more highly in exceptional items than we had planned." These involved property purchases on the industrial estate where the company has its headquarters, and of retail premises.

Guernsey Press is proud of its investment record, pointing to its net assets total of £5.76m, compared with Guiton's £3.96m. But the downside came through in a sharp increase in interest payments to £199,000.

Reassurance that progress has been resumed is hard to come by as, for example, the company does not publish interim results. But it is understood that it does have scope to increase its worth by revaluing prime property in St Peter Port.

Guiton, on the other hand, has released figures for the six months to June 30. But this has done its case no good because pre-tax profit was 10 per cent down after a £139,000 interest charge.

Mr Walker is relying most heavily on the argument that "a merger" would have commercial logic. His three main points concern:

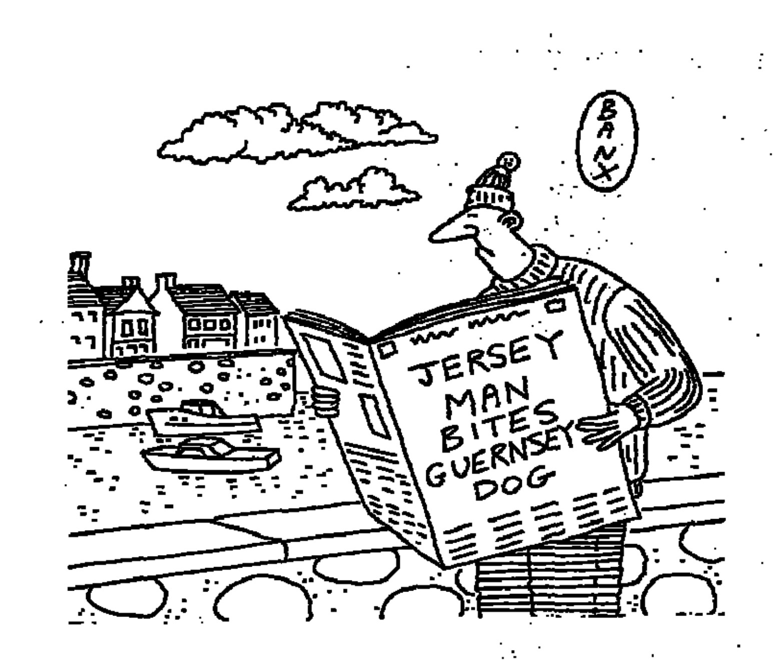
● Savings on capital investment: Guernsey Press will need to invest in a new newspaper printing press with colour facilities, costing about £1.3m. A bigger company could more easily afford this and both newspapers could make use of it.

● Rationalising commercial printing: both companies have under-utilised plant, so savings could be made and a single entity would be better placed to gain outside orders.

● Bigger is better: a larger company would have more power over suppliers. "There are a number of things, such as newsprint and stock for our shops, that we could buy as one entity," says Mr Walker.

Mr Sackett replies that the new press need not be bought for three or four years and the company will be able to afford it. Where there is excess capacity, it is already drumming up outside work. And as for purchasing power, it is already buying at keen prices.

More generally, he stresses the areas where there is no overlap of activity, as in books and office equipment, for example.



The battle is now coming to the end of its fifth week and the second closing date for acceptances is tomorrow. At the first close, Guiton owned or had acceptances for 4.6 per cent of Guernsey's shares.

Although individual shareholders might be more tempted by cash, 28 per cent of the equity is held by institutional investors. As there are only 13 companies on the two islands quoted on the local teletext service, Oracle, and traded on a matched bargain basis, the alternative opportunities are limited.

Guernsey's biggest shareholder is the investment company 3i, which holds 20 per cent. Mr Stephen Hemsley, manager of 3i's Channel Island activities, said it was still waiting to hear more from both sides. "We have only had the first shot from each one."

And as for individual investors, more than a third of whom have inherited their shares, opinion is that "cash will show the depth of their emotion".

Reedpack achieving targets in spite of market slowdown

By Maggie Urry

REEDPACK, the paper, packaging and office supplies group formed last year by a £668m management buy-out from Reed International, yesterday said it was meeting profit and gearing targets set by its bankers despite a deterioration in market conditions.

Results for the six months to October 1 showed operating profits ahead nearly 23 per cent to £41.1m. After interest of £26.1m pre-tax profits were £15m. Group sales rose by 8 per cent to £404.8m and operating margins were up from 8.9 to 10.1 per cent.

Mr Peter Williams, chief executive, said he was pleased with the figures which were "not easily accomplished." He warned, however, that the economic climate "may impede our progress in the short term."

Peter Williams: figures not easily accomplished

So far, he said, the group had not had to change its strategy. The buy-out was unusual in that the bankers agreed the company could continue to invest heavily rather than pay down debt immediately. Capital expenditure in the current year is expected to reach £70m.

Mr Williams thought the UK economy had been in recession since July or August this year, although official figures were yet to show this. The company had seen a slowdown in offtake of its products.

However, he said, one of the group's strengths was that a quarter of its profits were made in continental Europe where the economies were still strong. This proportion was likely to rise as Reedpack was close to completing two acquisitions in Europe, expected to cost £11m.

Mr John Miller, finance director, said that 90 per cent of the group's interest cost had been hedged before the recent rise in interest rates, and 45 per cent of the sterling interest costs for the next financial year were already hedged.

The group had revalued its assets, and if incorporated in the balance sheet would show a rise in the value of land and buildings of £120m-£150m. It had 450 acres of surplus land, and planned to sell about 65 acres in Kent with outline planning permission for industrial and commercial use. Mr Williams said this could raise £30m over the next two to three years.

The office supplies division increased turnover by 18 per cent to £119.1m and trading profit by 31 per cent to £9.7m. Mr Williams said this was despite slowing demand, particularly in the south east of England.

Sales in the paper division rose 13 per cent to £117.2m and trading profits 33 per cent to £17.3m. An improved performance from corrugated case materials was helped by lower waste paper prices, an important raw material.

The packaging business "had borne the brunt of flagging demand". Sales rose 9 per cent to £223m and trading profits were 7.5 per cent up at £15.7m.

European Home expands in Italy with £2.1m skincare purchase

By Clare Pearson

European Home Products, the retail and distribution company, is adding to its Italian operations by buying Bioderma Italia, a skincare company, for £2.1m.

Of the consideration, £1.7m is to be paid on closing. The remaining £400,000, which is for property that is surplus to EHP's requirements, will be paid in January next year.

Bioderma is based in northern Italy but EHP hopes to market its products throughout the country using its Scholl personal care and footwear distribution network.

EHP's sales of personal care products in southern Europe have been buoyant this year. But it cited depressed demand for its consumer durables products in those countries when announcing interim pre-tax profits down by 22 per cent to £11.91m in the half-year to end-June. Italy then accounted for 37 per cent of sales.

Bank of Wales buys in-house finance company from DC Cook

By David Barchard

DC Cook Holdings, the motor vehicle dealer, has sold its in-house finance company to the Bank of Wales for about £100,000.

The company, Ironguild Finance, is being bought by Forthright Finance, a subsidiary of the Bank of Wales.

Mr Eric Crawford, chief executive of the latter, said the purchase price was close to Ironguild's net asset value.

Forthright will assume responsibility for Ironguild's loan book of £7m. The purchase agreement ensures that existing customers of Ironguild will not be affected by the deal and that its finance facilities will remain available for future Cook customers.

Mr Derek Cook, chairman of Cook, said the sale would significantly reduce his group's gearing, taken with its other recent business and disposals.

Property sales put Owen & Robinson in the black

By Clay Harris

PROFITS OF nearly £900,000 on property transactions enabled Owen & Robinson, the retail jeweller, to move £117,000 into the black on turnover of £5.68m in the six months to July 31 and to resume payment of an interim dividend.

Without the property surplus of £891,000, Owen & Robinson would have shown a loss of £774,000. This figure was inflated, however, by heavy but unspecified writedowns of stock and slashing of margins on older lines, according to Mr Maurice Dwek, who became chairman in February. Mr Dwek and MIM Britannia jointly own 25 per cent of the company.

Although most provisions had been made in the first six months, Mr Dwek said, there would be a residual effect in the second half. Because of a change of year-end, there are no comparable audited results. In its last financial year, covering the eight months to January 31, Owen & Robinson made pre-tax profits of £510,000 on sales of £6.17m. Unaudited, merger accounted figures for February-July 1988 showed a loss of £568,000.

Mr Dwek said the group had been encouraged by the response in the London area to the first shops converted to the Gold Centre format which it picked up from a Scottish acquisition, Gordon & Seymour. It was also looking for other acquisitions in the retail sector.

On earnings per share of 0.33p, Owen & Robinson will pay an interim dividend of 0.15p. The single payment for the previous eight months was an adjusted 0.3p.

Arlen omits interim

ARLEN, the electrical accessories and light fittings group, is passing its interim dividend after reporting pre-tax profits of £302,000, less than half the £797,000 figure achieved in the first half of 1988, writes Clay Harris.

Although Arlen had twice warned about its profits outlook in the past few months, its shares shed 2p to 65p yesterday. Mr Leslie Hancock, chairman, said Arlen would review its position on dividends at the year end. In 1987-88, the company paid an interim of 1.1p and a final of 2.2p.

Like other companies dependent on consumer spending, Arlen faced an uncertain and difficult future in the short and medium term Mr Hancock said.

Turnover rose by 16 per cent to £9.92m (£8.53m) in the six months to September 30, but Arlen was hit both by a decline in trading profits to £557,000 (£883,000) and a sharp rise in interest payable to £255,000 (£86,000). Earnings per share fell by 61 per cent to 1.81p (4.69p).

By the end of the half, borrowings including loan stock had soared to £4.27m. This is one reason Arlen is seeking a cash injection of £6.18m from Seaforth Investments, representing the interests of Mr Maurice Dwek and funds managed by MIM Britannia. Arlen shareholders will shortly be asked to approve the deal, which will give Seaforth 25 per cent of Arlen through a share issue at 80p.

Amersham deal with Johnson & Johnson

By Jane Fuller

Amersham International, the healthcare and medical products group, is buying a range of reagents used in biology and biomedical research from a Belgian subsidiary of Johnson & Johnson.

It will pay BFr230m (£3.7m) over three years for the immunology products, which employ very specific antibodies and colloidal gold and silver to detect substances in tissue. Initially, the vendor, Janssen Biotech, will make the products and Amersham will market them worldwide.

Amersham already produces immunology products and will take over their manufacture.

Mr Ed Gallagher, chief executive of Amersham's life sciences division, said the new range, which had annual sales of about £2m, would fit neatly into the existing sales and technical support network. The effect on the company's earnings per share would be positive.

In the year to March 31, the life sciences division had turnover of about £68m – 38 per cent of the total. The company reports its interim results today.

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UK COMPANY NEWS

Invicta Sound advances to £0.98m

By John Ridding

INVICTA SOUND, the Kent-based independent radio company which joined the USM in July, has announced a sharp increase in profits, reflecting strong advertising receipts and the launch of a new AM radio station.

Pre-tax profits for the year to September 30 more than doubled from £436,000 to £981,000. The shares, which were floated at 170p, yesterday gained 5p to close at 193p.

Turnover increased from £2.95m to £3.93m and earnings per share rose from 5.02p to 7.74p. Accumulated losses mean that there is no dividend but the company expects to make an interim payment in the current year.

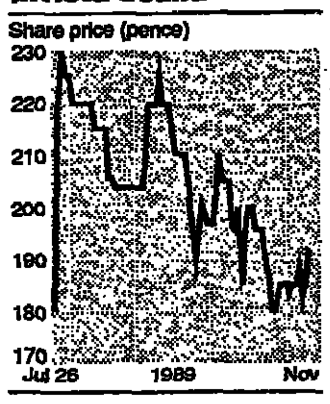
Mr Nigel Reeve, managing director, said advertising revenues had expanded steadily during the period, despite a slowing in the national market. This was more than compensated for by strong growth locally and an increase in audiences, which had risen by 17.3 per cent to 6.1m hours per week over the last 18 months. The increase in both revenues and audiences was partly the result of splitting the company's broadcasting frequencies so as to form a new station, Coast AM. This practice is increasingly employed by independent radio companies and allows improved audience targeting with little additional overheads.

Coast AM, which is aimed at over 30s, required the addition of only five staff to the existing total of 56. It contributed about 10 per cent of pre-tax profits during the period and continued to increase its share of group revenues.

Mr Reeve said Invicta was eager to expand and that "it would make sense to merge with some of its neighbouring stations." He forecast that the independent radio sector would consolidate into about a dozen companies and that "we want to make sure that we are one of them."

During the period, Crown Communications, one of the UK's largest independent radio groupings, increased its stake in Invicta from 10 to 15 per cent. Mr Reeve said he was happy with this investment and that "Crown has always been supportive of what we are trying to do."

Invicta Sound



Significant growth in all areas for Northern Bank

THE NORTHERN Bank, Northern Ireland's biggest clearing bank, announced a pre-tax profit of £45.7m for the year to the end of September.

The bank, which is a subsidiary of National Australia Bank, said the result, an increase of 39 per cent over the 1988 figure, had been achieved through significant growth in all aspects of business despite their being vigorous competition.

Sir Desmond Lorimer, chairman, said the growth experienced by the manufacturing, property and retail sectors in Ulster during 1988 and most of 1989 had been encouraging.

The agricultural industry, after a disappointing start to the year, had made a substantial recovery and indications were that the resulting improvement in farm income in the second half of the year would continue into 1990.

Commenting on the bank's commitment to the business sector, Sir Desmond said: "Our decision two years ago to establish a separate corporate banking centre dealing with our larger corporate customers has proved a successful strategic step.

Cullen's cuts deficit but anticipates loss for current year

CULLEN'S HOLDINGS, the retail grocer, reported reduced losses of £690,000 for the six months to August 27.

Following a rationalisation programme, the outcome – which compared with losses of £1.15m last time – was struck on turnover down from £7.11m to £6.33m.

Directors anticipated that the group would trade profitably for the second half. Their optimism, however, came with a warning that there would be a loss for the year as a whole.

The net loss after exceptional items and including profits on the sale of properties amounted to £317,000 compared to £1.35m for the comparable period last year.

The first half of 1989 saw the institution of new licensing arrangements which the company hopes will provide more effective motivation for its stores to trade profitably.

The company is now engaged in developing its core business as well as seeking "appropriate acquisitions," he added.

Hair products purchase for IWP

IWP International has acquired Michael Harvey Haircare Products for a consideration of up to £6.2m.

Michael Harvey makes and supplies a range of hairdressing products, and 95 per cent of production is "customer own label". Its customer base includes the major retailers, drug stores, and hairdressing salon groups. IWP has paid an initial £2.3m comprising £300,000 cash and the issue of £2m variable rate unsecured loan notes. They are redeemable between January 1991 and December 1994.

Profit-related deferred consideration will be payable in two tranches. The first will not exceed £1.5m and be met with loan notes; it is expected to become payable in 1991. The second, in 1992, will be covered by the issue of ordinary shares.

FT LAW REPORTS

Mareva appeals should be rare

ALLIED TRUST BANK LTD v SHUKRI AND OTHERS
Court of Appeal (Lord Justice Lloyd, Lord Justice Stuart-Smith and Sir Roualeyn Cumming-Bruce): October 19 1989

PARTIES TO Mareva applications and their counsel should ensure that the court is not overburdened with unnecessary detail; and though full argument is required on issues of principle, argument on pure questions of fact should be kept to a minimum and appeals should be rare.

The Court of Appeal so stated when dismissing an appeal and a cross-appeal from Mr Justice Evans's decision discharging a worldwide *ex parte* Mareva injunction obtained against the defendant, Mr Abih Mahmoud Shukri, by the plaintiff, Allied Trust Bank Ltd, and replacing it with a more limited injunction.

LORD JUSTICE LLOYD said that Mr Shukri was the bank's managing director between 1977 and December 1983.

The bank had made spectacular losses by lending money to a Jordanian organisation known as UTC, whose central figure was a Mr Hajjar.

The bank had brought proceedings against Mr Hajjar. In those proceedings it emerged that an employee of Murray Clayton Ltd, a company in the UTC group, had made serious allegations against Mr Shukri.

The employee's name was Mr Barghout. He alleged that he had been instructed by Mr Hajjar to cash cheques for £50,000 and £100,000 drawn on the company's account, and to pay the proceeds to Mr Shukri.

Those cheques, drawn at the rate of £100,000 per month over three and a half years, were believed by Mr Barghout to be bribes to induce Mr Shukri to procure the bank to make loans to Murray Clayton and others of the UTC group.

The bank commenced proceedings against Mr Shukri on July 7 1987 claiming the sums alleged to have been paid as bribes and the full amount of its claim against UTC.

The Serious Fraud Office conducted an investigation. The bank applied for a Mareva injunction on February 7 1989, when Mr Shukri was arrested.

The *ex parte* hearing took two hours before Mr Justice Leggatt. There were three or four affidavits before him, apart from the bank's affidavit.

He granted an order in the widest terms. It was worldwide, and unlimited in amount.

The *inter partes* application came before Mr Justice Evans on May 15 1989, by which time Mr Shukri had been released on police bail without being charged.

The evidence had multiplied to an alarming extent. The exhibits extended to many hundreds of pages.

The hearing took five days. Having regard to the quantity of paper before the judge, it was perhaps surprising that it did not take longer.

The judgment contained a masterly analysis and summary of the evidence. The judge discharged the *ex parte* injunction, and instead he granted an injunction within the jurisdiction, limited to £500,000.

Mr Shukri now appealed.

Mr Leeming on his behalf argued that the evidence failed to disclose a good arguable case that the bank would succeed at the trial.

The judge found that the bank had established a good arguable case that it should recover £300,000 at the trial, but no more.

The evidence before him showed that over a two-year period sums exceeding £850,000 were paid into Mr Shukri's account or into the account of companies which he owned or controlled.

It also showed that in some cases there was a correspondence between payments into those accounts and cash drawings on Murray Clayton's account.

The total of corresponding payments was estimated by the judge at £300,000. To that figure he addded a margin of £200,000 to cover interest and costs, and so arrived at £500,000.

When one looked at the direct evidence and what the judge described as the strong circumstantial evidence, it was quite impossible to say that the bank did not establish a strong arguable case that it would recover at least £300,000.

Mr Leeming's second point was that the bank failed to make proper disclosure at the *ex parte* stage, and all equitable relief should therefore have been refused.

The basis for the argument was that the bank in its affidavit did not refer to Mr Shukri's potential defences.

Mr Justice Evans took a serious view of those omissions – so serious as to amount to breach of duty to the court justifying what he called a penal sanction, but not so serious as to deprive the bank of all right to interlocutory relief.

He was not bound to refuse all relief. He had a discretion with which the present court could not interfere.

The bank, however, was not in breach of duty to the court. The points of defence had specifically been brought to Mr Justice Leggatt's attention at the *ex parte* application. The bank's conduct did not merit a penal sanction.

The appeal was dismissed.

On the cross-appeal Mr Wadsworth argued that the judge ought to have found a good arguable case in respect of the full £3m or the entire claim, on the ground that there was direct evidence of cash payments amounting to £3m and corroborative circumstantial evidence.

That would have justified the judge, according to Mr Wadsworth, in accepting the direct evidence at its face value and so furnishing a strong *prima facie* for the whole £3m.

There was another way of looking at it. The direct evidence coming from UTC employees was all tainted. Mr Barghout's evidence was hearsay.

If the direct evidence had stood alone the judge would certainly have held that the bank had failed altogether to cross the threshold of good arguable case. The circumstantial evidence was not corroborative in respect of the whole of the bank's claim. At most it enabled the bank to cross the threshold so far, but no further.

That was the way in which the judge seemed to have looked at the case. It was an acceptable approach. Mr Wadsworth's argument was rejected. The cross-appeal also was dismissed.

The question was whether the appeal and cross-appeal should have been brought at all.

In *Derby v Weldon (No. 1) [1989] 2 WLR 276, 284*, Lord Justice Parker, echoing Lord Templeman's observations in *Spiliada [1989] 2 WLR AC 460, 465*, said that the time taken in arguing Mareva injunctions should be measured in hours, not days, and that appeals should be rare.

The merest glance at recent law reports, to say nothing of unreported cases, showed that those words were falling on deaf ears.

Where principles were involved, full argument was required and appeals might be justified. But no principles were involved in the present case. There were only two issues for consideration – good arguable case, and non-disclosure, both of which raised pure questions of fact.

Yet the application had taken five days before the judge and two days before the present court. That expenditure of time was now quite common. Indeed, to judge from some recent cases, it might even be modest.

Something must clearly be done or the courts would become clogged with interlocutory applications and trials would inevitably be postponed.

The responsibility in the first instance must rest with parties and counsel. But if Lord Justice Parker's warning continued to be ignored and if as a result Commercial or Chancery judges took a strong line when confronted by applications over-burdened with unnecessary detail, the Court of Appeal would not hesitate to back them up.

As for appeals, the first question for counsel must always be whether it was one of those rare cases where an appeal was justified at all. If it was, then the second question was how the issues could be contained and presented within the shortest possible compass

LORD JUSTICE STUART-SMITH, agreeing that the appeal and cross-appeal should be dismissed, said that he entirely agreed with what Lord Justice Lloyd had said as to the length of Mareva applications and appeals.

SIR ROUALEYN CUMMING-BRUCE also agreeing, said it was important that the profession gave very careful consideration to Lord Justice Lloyd's observations, otherwise the Mareva procedure would go quite out of control.

For Mr Shukri: Ian Leeming QC and Christopher Cant (James & Sarch)
For the bank: James Wadsworth QC and L.J. West-Knights (Richards Butler)

Rachel Davies
Barrister

Court dismisses damages claim over lead in feed

By Laura Raun in Amsterdam

SLUMP, THE Dutch fodder company which unwittingly sold lead-poisoned cow feed to 300 farmers, yesterday lost its Fl2m (£950,000) damages claim against three suppliers.

The court case has begun to unravel the international scandal over the killer feed – which Mr John Gummer, the British Agriculture Minister, has called a "major criminal conspiracy." The Dutch firmly deny any conspiracy but admit that mistakes were made in the handling of the toxic fodder, which has killed more than 100 cows and affected around 1,700 farms in The *Netherlands and the UK.*

The Rotterdam district court ruled yesterday that De Bruijn, Drogerij Marknesse and Rovegrha, the three suppliers of animal foodstuffs, were unaware of lead poisoning in the rice bran used to make high-protein maize-replacer pellets. Slump had accused them of failing to meet their commercial obligations by knowingly dealing in contaminated goods.

Mr Theodore Sandberg, attorney for Slump, said yesterday that the company would appeal against the ruling.

The lead poisoning occurred as the rice bran was imported from Asia into Hamburg, where it was delivered by Toepfer, a German company, to De Bruijn, which specialises in salvaging damaged animal feedstuffs. De Bruijn claims it knew only of zinc contamination but not of lead poisoning when it accepted the bran and payment of about £2,000 – allegedly for destroying it.

De Bruijn said it saw no reason to destroy the bran because the level of zinc contamination posed no threat to the health of animals.

The bran was then sold to Drogerij Marknesse, which processed it into maize pellets and marketed them through Rovegrha, its *sales arm. Rovegrha* exported some of the pellet-laden fodder to Britain.

The communications breakdown between Toepfer and De Bruijn was described by lawyers, ministry officials and agriculture industry representatives as a commercial dispute. Legal charges will be considered after the Dutch *Agriculture Ministry* finishes its investigation, which is running parallel to a European Commission inquiry.

Landbouwschap, the powerful farmers' union, announced it was holding Slump responsible for the lead poisoning and insisted on an "amicable settlement" with about 120 farmers. If no agreement on financial compensation be reached then legal action would be considered, Landbouwschap told Slump in a letter.

No exact estimates have yet been made of the damages *suffered by farmers although* Landbouwschap and The Netherlands Dairy Union expect the cost will to run into the millions of guilders.

Bridget Bloom adds: British Ministry of Agriculture officials said yesterday that they had no comment to make on the judgement in the Rotterdam court save to point out that it was a civil and not a criminal case that had been brought.

UK's 'cattle madness' offal ban in effect

By Bridget Bloom

BRITAIN HAS formally banned the use for human consumption of certain bovine offals.

The ban, announced in principle last June but since subject to legal consultation, came into force yesterday. It is designed to ensure that the human food chain remains free of meat tainted by the cattle madness disease, bovine spongiform encephalopathy.

Cattle suffering from BSE must be slaughtered and their carcasses destroyed. However, it is thought the banned offals – brain, spinal cord, thymus, spleen, tonsils and intestines – may harbour the disease, *which attacks the bovine nervous system.*

The British ban follows a decision by West Germany earlier this month to ban the import of bovine offal from the UK. Last week the ban was said to have been extended to any beef imports not guaranteed by the UK Government as coming from unaffected cattle.

However, the UK Ministry of Agriculture said yesterday that the ban appeared more political than real, as beef cargoes were not being stopped. And it would not agree to *license all beef exports* as there was no evidence of danger to human health.

Last week, Mr John Gummer, Britain's Agriculture Minister, accused Bonn of an unwarranted political action and said he had taken up the matter with Mr Ray MacSharry, the European Community's agriculture commis*sioner. The first stage of an* adjudication process is due today, when the issue goes before the official EC standing Veterinary Committee.

Overdue treatment for yesterday's illness

EC policies are still tackling overproduction, although that is no longer the problem

AFTER 30 years of farming, I still find myself almost every day at a loss to explain some aspect of *the uncertain biological business* of which I am a part.

Why, for instance, are many Norfolk farmers, myself included, harvesting a near-record crop of moisture-loving sugar-beet this autumn, after the driest summer for years?

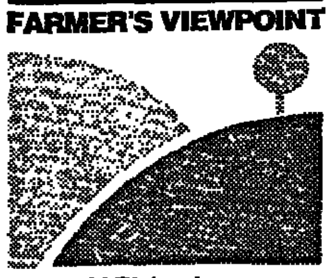
How is it that lambs, which have just been turned into a field of succulent turnips, can decide that an apparently boring barley stubble over the hedge looks more inviting and break down newly erected electric netting to get at it? What is it that makes wild mushrooms grow on meadows in such abundance in a year like this that even an addict like me is led to decline yet another panful fried with best back of *bacon?*

The politics of agriculture, however, is much easier to explain and more predictable. As a rule of thumb, it is fairly safe to expect that, whichever government or European authority is in charge, they will put forward production policies which are roughly the opposite of what is required by both farmers and consumers.

Back in the late 1970s and early 1980s, for instance, European Community price guarantees for most farm commodities encouraged virtually every *farmer in Europe to maximise* production.

The inevitable outcome of over-production and the build-up of surpluses was obvious years before it reached crisis proportions. But the politicians ignored the signs, failed to take timely action to redress the balance and eventually were forced to introduce *measures, such as milk quotas in* 1984, and later to provide incentives to set cereal-growing land aside.

FARMER'S VIEWPOINT



By David Richardson

But by the time those production-restricting policies were effective, the trend of over-production worldwide had gone into reverse. Once again, the signals being given to *farmers* were the opposite to those really needed. And that situation continues today, in spite of mounting evidence that it is misguided.

Consider the evidence. The *International Wheat Council,* in its September market report, stated that, whereas the 1989 world wheat crop was forecast at 532m tonnes, some 30m tonnes up on 1988, it would, nevertheless, fall short of projected world consumption for the third year in succession.

The IWC reported a similar situation for coarse grains. Production in 1989 was estimated at 814m tonnes – 84m tonnes up on the previous year – and it, too, was expected to fall short of consumption for the *third* successive year. *Yield* estimates of both crops were modified marginally in the IWC's October market report, but the overall picture remained substantially the same.

Indeed, in October the Council noted that tightening stocks had already affected food-aid shipments, which had fallen in 1988-89 *by nearly 30 per cent to* an estimated 9.7m tonnes – the smallest amount since 1983-84 (the year before the world became aware of the Ethiopian famine).

The theme was taken up by the Rome-based Food and Agriculture Organisation in its *October* issue of Food Outlook. "By the end of the current year," it said, "world cereal stocks will have fallen by about 35 per cent over three years, with the wheat stocks held by major exporters at their lowest level since the world food crisis (of the mid-1970s)."

"Although sharply higher than the previous year," FAO went on, "global production of cereals in 1989 will not meet consumption in 1989-90. . . The safety net for food security provided by substantial stocks in earlier years is now exhausted."

A similar situation exists for sugar. For many months reports on world sugar mar*kets published on this page* have described the supply/demand picture as "tight", and last Thursday the raw sugar price broke through 15 cents per pound. London trader E.D. & F. Man predicted "a drawdown in stocks of 4.5m tonnes this year, with another year of significant supply shortfall expected."

This follows three successive years in which world sugar stocks have fallen by 2 per cent to 3 per cent per year, not as a result of a drop in world production, which have, in fact, *increased slightly*, but because consumption of sugar has increased faster.

World production of oil seeds – soya beans, sunflower and rapeseed – has also failed to meet increasing demand for the last two years, and even the EC has failed to escape a shortfall. This year, drought-affected Community crops yielded only about 4.8m tonnes, against a domestic demand for 5.3m tonnes.

In the light of all these facts, the US has, to all intents and purposes, virtually removed the necessity to set land aside from growing wheat to qualify for guaranteed prices under its Farm Program. The qualifying acreage reduction for the coming year will be just 5 per cent of a farm's base acreage and a farmer can, if he wishes, plant 105 per cent of his base acreage and still receive deficiency payments – albeit at a lower rate.

This means it is possible that almost every acre capable of *growing wheat in the US may* be planted for harvesting next year. It does not necessarily mean, however, that US production will be significantly higher. It should not be forgotten that vast areas of US wheat land, much of which has been brought into cultivation over the last 50 years merely to be set aside again to qualify for government aid, are prone to drought, and that some meteorologists have forecast a continuation of hot, dry summers over the Midwest for the next few years.

In the EC, meanwhile, the Commission is still advocating an extension of the recently-introduced system of set-aside. Indeed, earlier this year, the Council of Agriculture Ministers was persuaded to vote more cash to the scheme, which admittedly has had a modest take-up of only 1 to 2 per cent of cereal land in most *EC states,* to enable governments to pay higher compensation and encourage farmers to remove more land from production.

Eurocrats justify their policies by pointing to the undoubted fact that there is little local shortage here in the EC and to the disastrous drought in the US in 1988, which cut world carry-over stocks severely. When challenged, they say that, in assessing future supply/demand balances, it is prudent to assume normal weather and normal harvests, and they build into their projections what they see as inevitable rises in yields each year.

In so doing, they ignore a number of factors and possibilities. The first and most fundamental is that consumption of basic commodities is on a rising *trend. This is partly* because of the inexorable rise in world population and partly because of increasing demand from importing countries; the Soviet Union, for instance, as it attempts to satisfy its frustrated consumers, and South East Asia, where new-found industrial prosperity is enabling governments to become major buyers.

But it also ignores the EC's own restrictions on farmers' use of fertilisers and spray-chemicals, which are currently being imposed across Europe for environmental reasons and to satisfy public opinion on the purity of food and water. Whether all those restrictions are necessary is not a matter I *intend to tackle here, but the* more there are, the harder it will be for farmers to produce the quantities of food needed by an increasingly hungry world.

I put all these points a few months ago to a European policy-maker, and challenged him to deny that I might be correct in my assessment. He replied that, of course, the statistics were right, but that it was for the time being impractical for the EC to react to them.

"A really big harvest worldwide could change the situation over night," he said, "and in any case we introduced the present restrictive policies only very recently – to change them so soon would destroy our credibility."

That, at least, is one explanation as to why our political masters always seem to be out of step with events.

Ivory Coast gold mine to start up in January

By Mark Huband in Abidjan

GOLD MINING is about to start at a new site in the Ivory Coast which holds estimated reserves of around 4,500 kg to be extracted over seven years.

Exploitation of the reserve, which is located 130 km south of the western Ivory Coast town of Man, will be carried out by the the French Bureau of Geological and Mineral Research (BRGM) and Sodemi, the Ivory Coast state mining company, following an estimated $54m investment on the seam.

Mining is due to start in January 1990. BRGM expects to see extraction at the rate of around seven grammes of gold per tonne of earth moved, with annual production expected to reach *650 kg.*

The opening of the seam follows 30 years of research into gold deposits in the region. BRGM confirmed the presence of gold in 1959, but it was not until 1974 that development of *the site* was started by a consortium comprising BRGM, Sodemi, the mining company Mokta and L'Omnium de Mines. But feasibility studies did not suggest that the exploitation of the site was economically viable.

Mokta and L'Omnium de Mines left the consortium in 1977, handing over their shares to BRGM and Sodemi. In 1983 the Ity Mines Society (SMI) was set up to accelerate exploitation of seams in the area. A study carried out by SMI between 1983-88 confirmed the *financial viability of the* project.

Base metals prices 'not high enough to encourage exploration'

By Kenneth Gooding, Mining Correspondent, in Madrid

A WARNING was given yesterday that base metals prices would probably have to go much higher in real terms before mining companies would be willing to bear the cost of exploring for new deposits.

It was cheaper for mining groups to buy up rivals and gain access to advanced exploration projects that way, suggested Mr James Jack, chief consulting geologist at Boliden International Mining.

He said that today every dollar spent on grassroots exploration was questioned by managements. "Success in exploration can depend today as much on the introduction or withdrawal of tax incentives as *on assay values," he suggested.*

The trend for multinational companies, often with no background in the industry, to take over mining groups added to the pressure on exploration teams to be cost effective. The newcomers to the industry often had no experience of the long lead times in mining where it could take 10 years from the discovery of the deposit to the production of metal.

Mr Jack said the gold industry could rely on the so-called "junior" companies to do its exploration and such companies had discovered many innovative ways of arranging finance. However, the juniors shied away from base metal projects because of the huge capital sums required to bring *one to fruition.*

The lack of base metal exploration might lead to metal shortages in the future, said Mr Jack, who was speaking in Madrid at a conference organised by International Mining magazine and the Mineral Industry Research Organisation.

An example of the past concentration on gold exploration at the expense of base metals was given by *Mr Ron Sully,* assistant deputy minister, mineral policy sector, Energy, Mines and Resources Canada.

He said that in 1988 more than C$600m (£325m) was spent on exploration by junior mining companies looking for gold. Changes to Canada's tax structure and in the investment climate generally had cut sums substantially this year.

The system which enabled tax benefits from mining exploration to "flow through" to any type of taxpayer in Canada had encouraged the expenditure of C$3bn on exploration in that country between 1983 and 1988, he recalled.

This resulted in a record 70 new metal deposits, most of them gold, being discovered in 1988, well above the previous *peak of 50 in 1981.*

Mr Sully said this year the number of discoveries would come close to matching the 1988 record. However, because of changes to the "flow through" tax rules exploration expenditure in Canada was forecast to drop to C$800m and much more of the money would be spent by large companies seeking base metals rather than juniors seeking gold.

But Japan is likely to suffer more than most other industrialised countries should metals prices take off. Mr Morihiro Kurushima, representative of the Metal Mining Agency of Japan, pointed out that the Japanese Government was intensely interested in securing the country's supplies of base metals because mining *activity in Japan itself had* fallen to very low levels.

Japan currently consumed 16 per cent of the annual non-Communist world output of copper, 15 per cent of the zinc and 9 per cent of the lead.

His agency had an annual budget of 3.2bn yen (£14m) in 1987-88, some of which went to support the efforts of Japanese companies exploring for metals overseas.

At the same time the Japanese Government spent 14.8bn *yen in 1988 to maintain its strategic stockpile of metals.*

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	−5,700	to 42,350
Copper	+5,700	to 102,650
Lead	−50	to 27,725
Nickel	−726	to 2,304
Zinc	−3,375	to 83,900
Tin	+70	to 8,505

New York Copper

The New York Commodity Exchange (Comex) is to drop its standard copper contract on December 27, leaving only its high grade contract. Consequently, the tables below will from today quote the high grade prices.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD prices rose by over $5 an ounce to more than $390 yesterday as strength in New York underlined the European market's firmness, dealers said. The market was active from the outset, advancing on professional and investor buying. Profittaking was absorbed and chart resistance broken down. The next target is $400, although heavy resistance is expected at that level. On the LME tin prices plunged to new contract lows, three-month metal closing below $7,000 a tonne. Prices are now around $3,500 below the contract high reached in June. Traders say the market is still being pressured by merchant short selling. Some European end-user offtake emerges and gives brief support every time prices make a fresh major downside move, but this is only sporadic. One analyst said tin had become almost impossible to chart.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.95-6.05z	
Brent Blend	$18.80-8.85w	-0.30
W.T.I. (1 pm est)	$19.65-9.70w	-0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	
Gas Oil	$181-182	-2
Heavy Fuel Oil	$97-98	-1
Naphtha	$159-161	-4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$391.00	+5.75
Silver (per troy oz)♣	532c	+7
Platinum (per troy oz)	$508.25	+9.00
Palladium (per troy oz)	$138.50	+1.00
Aluminium (free market)	$1800	-5
Copper (US Producer)	122⅝-126c	+1½
Lead (US Producer)	41c	+2
Nickel (free market)	470c	+2
Tin (Kuala Lumpur market)	18.20r	-0.77
Tin (New York)	312.0c	-16.5
Zinc (US Prime Western)	78⅞c	+⅛
Cattle (live weight)†	114.54p	-0.69*
Sheep (dead weight)†	214.32p	+13.1*
Pigs (live weight)†	94.12p	-4.18*
London daily sugar (raw)	$379.6v	-1.4
London daily sugar (white)	$404.5v	-3.5
Tate and Lyle export price	£357.5	+0.5
Barley (English feed)	£112.5	
Maize (US No. 3 yellow)	£126.5	
Wheat (US Dark Northern)	£127.5	
Rubber (spot)♥	57.5p	+0.5
Rubber (Dec)♥	59.5p	+0.5
Rubber (Jan)♥	60.5p	+0.5
Rubber (KL RSS No 1 Dec)	225.5m	+1.0
Coconut oil (Philippines)§	$475v	
Palm Oil (Malaysian)§	$315.0	-2.5
Copra (Philippines)§	$305	-5
Soyabeans (US)	£172.5	+4.5
Cotton "A" index	82.8c	-0.9
Woollops (64s Super)	585p	+3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Oct/Dec. l-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	750	750	757 749
Mar	702	709	715 701
May	712	720	723 710
Jul	723	734	735 723
Sep	739	749	749 738
Dec	762	771	772 762
Mar	785	790	790 782

Turnover 7344 (5642) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 10 832.70 (829.56) :10 day average for Nov 13 814.82 (812.04)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	705	703	713 698
Jan	705	696	708 690
Mar	712	700	712 700
May	727	717	725 715
Jul	744	735	743 735
Sep	760	752	760 750
Nov	774	770	774

Turnover: 2344 (1787) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 10: Comp. daily 62.47 (62.66). 15 day average 61.87 (61.78)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	334.40	342.00	336.00
Mar	329.20	336.80	334.80 329.00
May	324.80	332.60	330.00 324.60
Aug	319.20	326.00	322.40 318.80
Oct	308.20	314.80	312.00 308.00
Dec	304.00	310.00	300.00
Mar	291.40	295.00	293.60 293.00
White	**Close**	**Previous**	**High/Low**
Dec	395.50	403.00	400.50 395.00
Mar	393.00	399.50	397.50 392.00
May	400.50	405.50	402.00 399.00
Aug	407.50	413.50	407.50 406.50
Oct	382.50	388.00	384.50 382.00

Turnover: Raw 4056 (7475) lots of 50 tonnes. White 2034 (1838)
Paris- White (FFr per tonne): Dec 2515, Mar 2495, May 2565 Aug 2630, Oct 2475, Dec 2400.

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	177.00	178.25	177.50 175.75
Jan	172.25	173.75	173.00 171.75
Feb	168.75	169.50	169.25 168.00
Mar	164.25	165.00	164.75 163.75
Apr	159.75	161.25	160.50 159.50
May	156.50	159.00	157.00
Jun	155.75	158.25	156.00
Jul	156.25	157.50	155.50

Turnover 4188 (4195) lots of 100 tonnes

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jan	18.49	18.74	18.56 18.48
Feb	18.30	18.42	18.30 18.25
IPE Index	19.09	19.04	

Turnover: 6406 (8039)

TEA

There were 24,389 packages on offer including 4,400 offshore, reports the Tea Brokers' Association. Assams were well supported with quality descriptions steady. Bangladesh teas met improved demand and sold at firm rates. Africans came to a strong market. Bright liquoring teas and good mediums realised firm to dearer rates. Ceylons attracted support with prices for the few brightest teas showing little change. In the offshore auction Kenyas sold at slightly easier rates but offerings from Central Africa were neglected and 5p lower where sold. Quotations: quality 185p (n/c), medium 152p (156p), low medium 135p (138p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 34,200 tonne
Cash	1780-3	1800-5	1810/1781	1790-1		
3 months	1742-5	1745-7	1760/1740	1740-5	1740-2	32,679 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,850 tonne
Cash	1674-5	1685-7	1669/1660	1689-9		
3 months	1670-1	1675-6	1682/1658	1663-4	1678-9	77,803 lots
Lead (£ per tonne)						Ring turnover 9,000 tonne
Cash	435-7	436-8	434/433	432-3		
3 months	434-5	433-4	435/433	433-3.5	433.5-4	11,860 lots
Nickel ($ per tonne)						Ring turnover 1,478 tonne
Cash	10100-50	10100-50	9200/9150	10150-200		
3 months	9690-700	9700-50	9800/9690	9750-800	9875-700	7,076 lots
Tin ($ per tonne)						Ring turnover 1,730 tonne
Cash	6760-800	7125-35	6830/6790	6790-800		
3 months	6890-910	7220-5	7050/6890	6930-50	6890-900	4,957 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 17,300 tonne
Cash	1470-5	1460-5	1470/1467	1465-7		
3 months	1431-2	1443-5	1445/1431	1435-7	1430-5	16,213 lots
Zinc ($ per tonne)						Ring turnover 2,300 tonne
Cash	1442-5	1445-50	1445	1440-2		
3 months	1402-3	1405-10	1403/1400	1400-10	1401-2	2,860 lots

LME Closing £/$ rate:
SPOT: 1.5805 · 3 months: 1.5561 · 6 months: 1.5340 · 9 months: 1.5152

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	199.5	197.1	199.5 197.9
May	228.0	224.0	227.0 224.0

Turnover 223 (65) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Apr	144.20	-	143.00

Turnover 15 (60) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1660	1684	1665 1665
Dec	1669	1688	1686 1683
Jan	1680	1695	1685 1676
Apr	1690	1695	1690 1681
Jul	1403	1418	1418 1410
Oct	1533	1530	
BFI	1650	1656	

Turnover 156 (192)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	108.35	108.50	108.30 108.25
Jan	111.90	112.05	111.85 111.80
Mar	115.70	115.85	115.70 115.60
Barley	**Close**	**Previous**	**High/Low**
Nov	106.25	106.00	106.00
Jan	109.95	109.90	109.95 109.90
Mar	113.10	112.80	113.10 112.80
May	115.00	-	115.00 114.85

Turnover: Wheat 81 (149), Barley 109 (56).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	125.5	125.5	125.0
Feb	114.5	115.0	114.0
Apr	115.0	114.5	114.5

Turnover 13 (31) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	390¾-391¼	247-247½
Opening	386¼-386¾	244½-245
Morning fix	389.05	246.828
Afternoon fix	390.50	246.996
Day's high	391-391½	
Day's low	386-386½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	400-405	253-256
Britannia	400-405	253-256
US Eagle	400-405	253-256
Angel	399-404	252½-255½
Krugerrand	390-393	246½-248½
New Sov.	90-92	57-58
Old Sov.	90-92	57-58
Noble Plat	514.35-522.50	327.10-332.25
Silver fix	**p/fine oz**	**US cts equiv**
Spot	336.90	530.00
3 months	349.45	541.25
6 months	361.50	552.25
12 months	385.05	574.35

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1650	139	115	18	47
1750	74	65	51	94
1850	33	33	109	159
Copper (Grade A)	**Calls**		**Puts**	
2500	172	158	46	117
2600	112	113	85	169
2700	68	78	139	231
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	59	91	6	29
700	25	62	22	50
750	8	41	55	79
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	61	45	1	43
750	15	26	15	74
800	2		52	
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800	72	75	22	45
1850	41	48	41	66
1900	22	28	71	101

US MARKETS

In the metals, prices rose in all markets from mostly technical action, reports Drexel Burnham Lambert. Gold, silver and platinum all added on to last weeks gains. Copper was also very active with fund and trade buying featured. Widening of the December/March switch was noted. In sugar, prices fell from light fund and commission selling. Cocoa was also lower due to heavy trade participation. Fund buying sparked a rally in the coffee. The grains were slow as consolidation was seen after Fridays active sessions. The soy complex closed slightly higher while wheat and corn futures were mixed. The livestocks had strong grains in the bellies and hogs. Increased export demand and higher cash prices were noted. Cotton was again lower as the recent crop report continues to weigh on the market. The energy complex was uneventful.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	391.0	386.8	0	0
Dec	392.7	388.6	393.8	381.5
Jan	395.1	390.9	0	0
Feb	397.4	393.1	398.5	396.0
Apr	402.1	397.6	403.0	401.0
Jun	406.7	402.0	407.5	405.7
Aug	411.1	406.2	0	0
Oct	415.7	410.6	415.5	414.6
Dec	420.4	415.2	421.5	419.9

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	514.4	509.6	518.0	513.5
Apr	518.9	514.1	522.0	518.5
Jul	523.4	518.7	526.5	523.0
Oct	528.4	523.6	529.0	529.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	528.7	523.6	529.5	529.5
Dec	531.8	526.0	535.0	530.0
Jan	534.7	528.9	0	0
Mar	543.9	539.0	547.0	542.5
May	551.7	545.7	553.5	550.5
Jul	559.7	553.6	562.5	558.5
Sep	567.9	561.7	569.0	569.0
Dec	579.5	573.0	584.5	578.0
Jan	583.1	576.6	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 10	Nov 9	mnth ago	yr ago
1869.9	1867.5	1856.6	1863.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.54	130.16	136.25
Futures	131.57	129.72	138.75

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	119.65	117.20	0	0
Dec	120.20	118.00	120.20	119.50
Jan	117.05	115.50	117.50	116.10
Feb	115.85	114.70	115.00	113.90
Mar	114.65	113.70	115.20	112.20
Apr	113.25	112.35	0	0
May	111.75	110.70	112.00	109.50
Jun	110.95	109.85	0	0
Jul	110.00	108.90	110.40	110.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	19.65	19.84	19.74	19.65
Jan	19.53	19.67	19.59	19.52
Feb	19.43	19.56	19.47	19.41
Mar	19.32	19.44	19.35	19.30
May	19.08	19.20	19.14	19.06
Jun	19.00	19.08	19.04	19.00
Aug	18.77	18.86	18.80	18.75
Sep	18.68	18.77	18.71	18.67

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	5785	5845	5815	5780
Jan	5800	5862	5825	5795
Feb	5740	5803	5770	5740
Mar	5520	5588	5550	5520
Apr	5300	5353	5315	5280
May	5135	5173	5140	5120
Jun	5035	5063	5050	5025
Jul	4980	5023	5000	4980
Aug	5040	5073	5050	5040

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	981	999	1000	980
Mar	991	1004	1006	990
May	1000	1013	1018	997
Jul	1013	1027	1033	1018
Sep	1030	1045	1042	1028
Dec	1053	1060	1062	1055
Mar	1075	1083	1090	1075

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.25	75.98	78.40	75.60
Mar	80.39	78.35	80.50	78.90
May	82.87	80.27	83.00	79.81
Jul	84.50	82.51	84.50	81.70
Sep	86.25	84.63	86.50	84.70
Dec	89.05	87.18	89.25	88.25
Mar	90.50	89.83	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.63	14.78	0	0
Mar	14.87	15.19	15.03	14.83
May	14.65	14.91	14.77	14.60
Jul	14.37	14.68	14.49	14.34
Oct	13.91	14.17	14.04	13.89
Mar	13.25	13.38	13.35	13.27

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	72.20	73.17	73.10	71.60
Mar	74.36	75.07	75.00	73.87
May	75.30	75.80	75.80	74.86
Jul	75.35	75.85	75.90	75.00
Oct	69.15	69.35	69.30	69.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	128.15	128.00	129.25	127.50
Jan	124.55	122.60	123.80	122.05
Mar	124.00	122.70	124.00	122.40
May	124.45	123.55	124.25	123.00
Jul	124.70	123.60	0	0
Sep	124.90	124.00	0	0
Nov	124.90	123.70	0	0
Mar	124.90	123.70	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	578/0	575/6	578/2	575/6
Jan	590/4	588/0	591/0	588/0
Mar	603/6	600/6	604/0	601/0
May	614/2	611/4	614/4	611/4
Jul	621/2	618/0	621/4	619/0
Aug	622/0	619/0	623/0	621/0
Sep	608/0	604/4	610/0	608/0
Nov	605/6	603/0	606/4	603/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.98	19.79	20.00	19.77
Jan	20.23	20.02	20.25	20.02
Mar	20.65	20.46	20.66	20.43
May	21.01	20.78	21.02	20.80
Jul	21.32	21.10	21.32	21.05
Aug	21.30	21.10	21.30	21.15
Sep	21.32	21.13	21.30	21.35
Oct	21.42	21.22	21.45	21.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	186.5	185.3	186.0	185.1
Jan	184.3	183.8	184.7	183.8
Mar	183.7	183.5	184.3	183.3
May	182.2	182.0	182.7	181.8
Jul	181.6	181.2	182.2	181.5
Aug	181.0	180.2	181.9	181.0
Sep	181.0	180.7	181.7	180.5
Oct	180.5	180.5	181.5	180.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	238/2	238/0	239/4	238/0
Mar	241/6	241/4	243/0	241/4
May	245/4	245/4	247/0	245/2
Jul	248/6	248/6	250/2	248/4
Sep	242/4	242/6	244/0	242/4
Dec	239/2	239/6	240/6	239/0
Mar	246/0	246/4	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	402/0	404/4	405/4	401/6
Mar	405/4	409/6	411/0	405/4
May	387/2	391/2	391/2	386/4
Jul	356/2	361/2	363/0	356/0
Sep	361/0	367/2	367/6	361/0
Dec	371/4	378/0	378/4	371/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.92	74.92	74.95	74.65
Feb	74.67	74.72	74.80	74.50
Apr	74.67	74.67	74.77	74.55
Jun	71.70	71.70	71.80	71.65
Aug	69.67	69.97	70.10	69.85
Oct	69.32	69.20	69.35	69.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	48.62	47.95	48.70	48.05
Feb	48.85	47.92	48.95	48.05
Apr	45.22	44.55	45.25	44.55
Jun	49.07	48.65	49.15	48.60
Jul	49.32	48.65	49.35	48.70
Aug	48.15	47.67	48.20	47.65
Oct	43.40	42.90	43.40	43.25
Dec	44.85	44.40	44.85	44.52

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	65.15	63.30	65.27	63.05
Mar	64.32	62.37	64.37	62.25
May	62.62	60.75	62.75	60.70
Jul	60.22	58.37	60.37	58.35
Aug	58.15	56.30	58.30	57.00

LONDON STOCK EXCHANGE

Early gains wiped out at the close

THE INCREASINGLY nervous mood of the UK equity market displayed itself clearly yesterday when an early advance proved too thinly-based and was easily wiped out by a selling programme involving the market's alpha stocks, its largest and most actively traded issues. Faced with a week of potentially unsettling factors, equity strategists are focusing on tomorrow's Autumn economic statement from Mr John Major, the UK Chancellor of the Exchequer, which is expected to confirm a downgrading of official forecasts of economic growth in the year ahead.

However, the erratic performance by market indices could not mask the market's most significant problem; equity turnover remained poor, even by recent standards, with Seaq volume struggling to reach 100m shares by noon and returning a final total for the session of only 286.8m, less than half the level regarded as satisfactory by the leading trading firms. The implications of the agonisingly low turnover levels were underlined by further cutbacks in market staff. Prudential-Bache released six research analysts but stressed that, "we are not planning to pull out of market making in the UK."

Equities opened sluggishly as the Confederation of British Industry/Financial Times distributive trades survey indicated that retail sales volume continues to dip, a view soon confirmed by news of a 0.7 per cent fall in the official retail data for October. But, in the absence of sellers, share prices moved up on the back of a strengthening premium on the FT-SE futures contract.

The Footsie Index quickly added 17 points before the abysmally low level of business took the heart out of the market and shares began to wilt. Equities then shuffled uneasily until Wall Street opened, with no attempt to repeat the firm performance achieved on Friday.

Between 3.00pm and 4.00pm, turnover in the alpha stocks jumped from 96.2m to 150m as a UK trading house, reportedly UBS Phillips & Drew, operated a trading programme worth around £57m. The programme involved selling some leading retail and other alpha stocks. Selling pressure was not heavy and the effect on market indices was exaggerated by swift price adjustments as market makers took evasive action in thin markets.

The FT-SE Index quickly swung from a gain of 8 points to show a net loss on the day of 3.3 at 2,213.2.

Yesterday's nervous performance by equities raised the curtain for a spate of economic data this week, following a lean period.' Statistics on domestic industrial production and average wages will be followed at the end of the week by the latest trade figures from across the Atlantic, and then by the UK inflation figures for October.

Account Dealing Dates		
*First Dealings:		
Oct 30	Nov 13	Nov 27
Option Declarations:		
Nov 9	Nov 23	Dec 7
Last Dealings:		
Nov 10	Nov 24	Dec 8
Account Day:		
Nov 20	Dec 4	Dec 18

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Nov 13	Nov 10	Nov 9	Nov 8	Nov 7	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.35	84.47	84.63	84.37	84.06	88.37	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.55	93.78	93.73	93.61	93.55	97.29	99.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1771.4	1773.0	1784.3	1774.2	1753.8	1452.5	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	262.4	259.3	260.6	256.8	245.2	178.8	262.4 (13/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2213.2	2216.7	2201.7	2203.8	2178.2	1794.3	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.69	4.67	4.69	4.66	4.71	4.86				
Earning Yld %(full)	11.26	11.24	11.28	11.20	11.34	12.19				
P/E Ratio(Net)(☆)	10.73	10.76	10.72	10.79	10.66	9.93				
SEAQ Bargains(5pm)	24,703	29,325	25,002	23,209	21,437	27,381				
Equity Turnover(£m)†	-	884.26	840.98	852.55	727.06	1218.20				
Equity Bargains†	-	28,491	24,150	21,222	19,655	29,203				
Shares Traded (ml)†	-	382.1	372.3	370.2	337.0	487.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.63

Ordinary Share Index, Hourly changes Day's High 1786.4 Day's Low 1770.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1771.9	1782.6	1785.8	1783.3	1783.2	1783.2	1784.2	1773.1

FT-SE, Hourly changes Day's High 2233.6 Day's Low 2211.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2216.1	2229.6	2233.1	2229.1	2228.4	2229.2	2228.9	2214.7

GILT EDGED ACTIVITY

Indices*	Nov 10	Nov 9
Gilt Edged Bargains	81.0	77.0
5-Day average	80.7	83.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

Maxwell finds the buyers

Much better interim figures than expected from Maxwell Communications pushed the share price firmly ahead and stimulated UK investors to join unabated US buying interest. Recent price firmness encouraged some profit-taking to counterbalance the demand and the price climbed 16 to 237p in busy two-way trade. The shares are normally thinly traded and the 4.8m turnover was exceptionally high.

Ms Angela Bawtree, at SG Warburg Securities, continued to recommend the stock as a buy. She pointed to the low rating - ten times earnings – compared with US publishing houses, and to the forthcoming flotation of 45 per cent of Berlitz at more than 20 times earnings. Ms Bawtree maintained her full-year forecast at £195m.

Both she and Ms Bronwen Maddox, at Kleinwort Benson, said that trading in the ADR's, likely to start in February, would help the price. Ms Maddox also rated the stock a buy, but was cautious on interpreting yesterday's figures. "Associates included BPCC dividend, the interest line included profits on stock market and property and foreign exchange, while operating profits included profit on sale of businesses," she said. Such thoughts encouraged Ms Maddox to leave her forecast for the year at £190m.

One other analyst was yet more cautious. "This is a period of turbulence in the company," he said. "With such debt, and asset sales, the eps (share earnings) is pretty well unforecastable. And as soon as Maxwell can borrow more money, it will. The shares are still a hold."

Airways travel

Record October passenger traffic and load factors from British Airways helped the shares rise 2½ to 198p. Passenger traffic measured in revenue passenger kilometres rose by 6.7 per cent above October 1988 and, with capacity increasing by 4.4 per cent, the passenger load factor at 72.9 per cent was 1.5 percentage points higher. Mr Tim Coombs, at County NatWest WoodMac, said that "UK-Europe traffic growth has been depressed and the improvement in October was particularly positive."

London's foggy weather yesterday, however, was said to have trimmed BA's rise – the shares been as high as 200p during the day. One analyst said that BA had been lucky with the weather this year, although the effects of closing Gatwick, for example, were hard to quantify.

Abbey National took the accolade as the heaviest traded stock on the banks pitches, with 8.4m shares changing hands, as the share price wilted 4½ to 152p; "The public has got this one right," noted one trader who said that there had been very little panic selling of the shares on Grey Monday and when the former Chancellor resigned. "But today's selling has largely come from private investors."

As far as the big four were concerned it was all small trades and general lack of enthusiasm. NatWest drifted back 4 to 327p on 1.6m. The merchant banks provided two small features in Morgan Grenfell and SG Warburg. The latter dipped 4 to 454p, with investors said to have been concerned by the persistent low volumes and wild swings in equities in recent weeks. Warburg is scheduled to report interim figures on November 21 and analysts are confidently expecting a bumper pre-tax figure of around £85m, compared with last time's £47.8m. Morgan Grenfell, after weekend Press reports that Deutsche Bank, holder of a 4.9 per cent stake in Morgan, may be lining up a bid.

The insurance sectors were sadly lacking any sizeable interest but Pearl edged up 2 to 643p on turnover of around 576,000, ahead of the expected publication of its defence document to the 605p a share bid from Australian Mutual Provident. The defence is expected to include an appraisal valuation in excess of 700p a share, plus a steep increase in the Pearl dividend.

Profit-taking took Guinness 4 lower to 583p. Mr Jonathan Goble, analyst at BZW, said that the stock had outperformed the market by nearly 50 per cent this year. Although that re-rating was justified, he said, there was a limit to how much further it could go. BZW changed its recommendation on the stock from a buy to a hold.

GEC were a notable casualty in the electronics/electricals stocks with Kleinwort Benson said to have been keen sellers of the stock after a bearish internal note on the company. The broker is highlighting the possible impact on GEC of any squeeze on Government spending on defence as well as the implications of developments in Eastern Europe. At the close GEC were 5½ easier at 224½p on turnover of 6.6m, well in excess of usual business in the shares.

British Telecom, scheduled to announce interim figures on Thursday – BZW is going for pre-tax profits of £1.26bn against £1.24bn – rose 4½ to 259½p after 261½p, with specialists emphasising the stock's defensive qualities.

Lec Refrigeration advanced 20 more to 340p, a gain of 55 over the past two sessions, still excited by the possibility of a full bid from Candy, the Italian domestic appliance manufacturer which last week revealed it had acquired a 9.4 per cent stake in the UK group.

Fears expressed at the end of last week that the political upheaval currently taking place in East Germany and other East European countries would hit companies involved in the manufacture of defence equipment as European governments' cut back on defence expenditure, were reflected in continuing weakness among defence related stocks.

British Aerospace was singled out, dropping 10 to close the day at 525p as 2.3m shares traded. Mr Paul Compton, analyst at UBS Phillips & Drew called the fall "defence spending paranoia."

Vickers also suffered, slipping 7 to 296p. Mr Alasdair Stewart, analyst at Charterhouse Tilney said: "The market is worried following developments in Eastern Europe that Vickers may not win the production contract for the Challenger 2 tank for the British Army on the Rhine. This contract would be worth £650m; without it Vickers tank operation runs out of work at the end of 1991." The share price was also said to have been affected by uncertainty surrounding the future of the 15 per cent stake held in Vickers by IEP Securities, controlled by Sir Ron Brierley the New Zealand businessman.

There was better news for Hawker Siddeley however, which closed up 2 at 641p xd as the share continued to ride on favourable comment from securities houses.

Shares in United Scientific which increasingly appears to have lost the takeover battle against Meggitt, fell 7 to 111p as Meggitt again extended the deadline for the close of its offer to November 17. Meggitt now controls 81 per cent of United Scientific shares.

Pharmaceutical stocks were squeezed ahead as investors sought companies with good overseas income. Among them, Glaxo climbed 16 to 1482p, SmithKline Beecham "A" shares added 10 at 554p while Wellcome firmed 8 to 718p ahead of full-year figures due on Thursday.

Rothmans recovered after recent falls in the wake of sharply increased stake in the company held by Swiss-based Richemont. Analysts at Hoare Govett said that a listing for Cartier, 47 per cent owned by Rothman's and 47 per cent owned by Richemont, was likely. That would be worth about 249p for each Rothman's shares, said Mr William de Winter, of Hoare. Rothmans peaked at 627p before closing a net 11 better at 619p.

Pilkington ended a penny better at 240p helped by continuing vague talk of a bid from the likes of BTR, which has a 3.8 per cent stake in the company. Some 6m shares were traded including a single 1m share trade.

Morgan Crucible closed 7 up at 302p on speculation that a French buyer had been shopping around for stock.

Shares in London International ran up to 249p before coming back to close at 242p, a gain of 2 on the day, ahead of interim figures today.

Full year profits in line with market expectations helped lift BOC. The company reported a 10 per cent increase to £330.5m up from £301.5m last year.

Mr Jeremy Chantry, analyst at Kleinwort Benson, said: "In general the trading pattern is following an established trend and I can still see reasonable growth. There maybe a slowing in the rate of increase in gas volumes in the UK and the US, but the Far East will remain strong. It is also important to point out that BOC is joining the trend of companies moving to average (period) rates." Kleinwort is predicting 1991 profits of £365m. BOC Shares climbed 13 before coming back to close 10 up on the day at 494p.

Midsummer Leisure climbed 10 to 176p ahead of full-year figures due out today.

Cautious comment after recent strong rises continued to undermine BAA, down 6 at 342p. Interim figures are due on November 21.

Pendragon, the motor distributor demerged from industrial conglomerate Williams Holdings, traded in line with more conservative analysts' estimates. They closed at 81p. Williams shares, now trading ex-entitlement to shares in Pendragon (five for every 100), eased 9 to 221p. The two prices suggest that shareholders have seen little immediate benefit from the demerger move, although analysts warned that the Pendragon share price might be affected by an outflow of small investors and some institutions in the early days of the group's independence.

Mountleigh continued to feature in the property arena with the shares touching 175p at one point before closing a net 7 higher at 170p in the wake of widespread comment in the weekend press on the possibility of a full bid for the UK group from Messrs Peltz and May who last week acquired Mr Tony Clegg's stake in the company.

But sector specialists doubted the takeover stories. "There have been too many sellers for the story to have much credibility, and we've see it all many times before," was one cynical view of the situation.

Land Securities, due to announce interim figures tomorrow, rose 4 to 528p. Regalian, reporting the same day, added 5 at 89p.

The Burmah/Calor/Premier trio attracted yet more demand after weekend Press stories suggesting that Burmah might attract a full bid. Burmah shares topped the 700p mark but but later slipped back to close a net 9 higher at 694p, although turnover was a poor 449,000 shares. Calor moved up 3 to 430p, after 433p in extremely thin trading, while Premier, where Burmah is sitting on a near 30 per cent holding, initially hardened to 117p before closing a fraction firmer at 116p.

British Gas rose to 199p during early trading but later fell away to end the session a net penny off at 196p on turnover of a disappointing 2.1m.

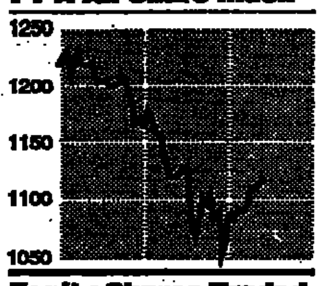
News that BP had upgraded its North Sea oil reserves by some 70m barrels sustained the company's share price around 300p during the morning but it then dipped sharply to close a net 3¼ down at 294p xd; dealers said there had been little volume in the stock.

Shell, after announcing forecourt petrol price cuts of 4p a gallon, following weekend price cuts by Jet, closed 2 cheaper at 520p. Ultramar were sold late in the day to finish 8 lower at 337p despite widespread expectations that the company may well achieve net income of £16m when it reveals its third quarter results tomorrow.

Exploration Company of Louisiana ran up 4 more to 255p as the Scottish presentations got underway. Aviva continued to make excellent progress after their re-listing last Thursday week; yesterday the shares touched 20p, compared with the pre-suspension price of 13¾p.

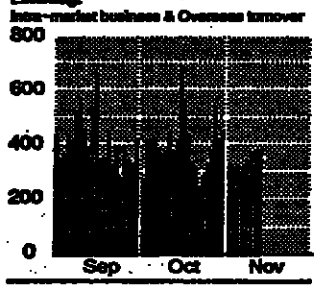
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 32

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (67).
BRITISH FUNDS (2) Treas. 9pc. 8. 1999, Treas. 9pc. 1990, CANADIANS (2) Am. Barrick. Res., Royal Bk. Canada, STORES (1) Body Shop Int., ELECTRICALS (2) Admiral Computing, Telecomputing, FOODS (1) Baileys, INSURANCE (1) Aon Corp., MOTORS (1) Gates (F.G.) NEWSPAPERS (1) Maxwell Comms., TRUSTS (8) Baillie Hldg., Camellia Invs., German Small Inv., Martin Currie Pac., Precious Metals Tst., OILS (3) Aviva Pet., Premier Cons., Sikolene, MINES (18) Blyvoor, Bond Int. Gld., Cluff Oil Wrnts., Cluff Res., Durban Deep, F.S. Cons. Gold, Grootvlei, Harmony, Joel (H.J.) Gold, Kloof Gold, Loraine, OFS Invs., Randfont'n Est., Southvaal, St.Helena, Venterspost, Welkom Gold Hldgs., Western Areas.
NEW LOWS (38).
AMERICANS (1) Data General., CANADIANS (3) Gt. Pac. Res., Varity Corp., BUILDINGS (2) Breedon, Crosby (James), STORES (6) Ashley (Laura), Blacks Leisure Grp., Empire Stores Grp., Euro Home Prods., Stirling Grp., ELECTRICALS (4) AB Electronic, Pressac, Riva Grp., Utd. Scientific, ENGINEERING (2) Triplex Lloyd, Wood (S.W.), INDUSTRIALS (7) Elsco, Electrolux, Grampian Hldgs., Hestair, Lynx Hldgs., Oakwood Grp., PCT Grp., MOTORS (1) DAF N.V. PAPERS (2) Goodhead Grp., KLP Grp., PROPERTY (2) Cussins Prop. Grp., Saltquenas (U.K.), TEXTILES (1) Mackay Hugh, TRUSTS (8) Fashion & Gen., Grahams Rintoul Inv Tst., Guidehouse, Nth. Brit. Canadian, Olim Conv. Tst., SPRAIT Cm. PL, UTC, Val & Inc. Tst. 5¼ PL, MINES (1) Europe Minerals.

APPOINTMENTS

Bovis sets up construction board

■ BOVIS has established a group construction board, with Mr Frank Lampl as chairman. Other members of the board will be Mr Peter Lehrer, chairman and chief executive of Lehrer McGovern Bovis Inc; Mr Gene McGovern, chairman and managing director of Bovis International; Mr Chris Spackman, chairman and managing director of Bovis Construction; and Mr Roger Mabey, divisional managing director of Bovis Construction. Mr John Anderson, P&O Properties, will join the board as a non-executive director. In addition to the group board appointments, Mr Lehrer and Mr Brian Pettifer, divisional managing director of Bovis Construction, are appointed non-executive directors of Bovis International; and Mr Ed Rosen, director of Lehrer McGovern International, becomes a non-executive director of Bovis Construction.

■ BANK OF SCOTLAND has promoted Mr Robert J.J. Wickham from deputy general manager, Threadneedle Street, to general manager England from November 19. He succeeds Mr Andrew Davidson who is retiring.

■ PIFCO HOLDINGS has appointed Mr Andrew D. Streets as company secretary.

■ Mr Michael H. Garnish will join the AMCO GROUP on January 2as technical director of Amco Plastics, and Fibaflo Reinforced Plastics.

■ Mr Pat McAteer has been appointed managing director of KSB, UK subsidiary of the German pump manufacturer. He succeeds Mr Hermann Wechsler who has retired. He was director and general manager at W.H. Allen.

■ Mr Bryan Cresswell has joined PEARL ASSURANCE as assistant general manager in charge of developing broker business. He was life sales manager with Eagle Star.

Mr Stirling Johnson *(above)* has been appointed director and general manager of W.J. GOODWIN AND SON, part of Yale Security Products. He was director and general manager of GKN Sankey's light fabrications division. Mr Brian Jeavons becomes commercial director.

■ HEADLINE BOOK PUBLISHING has appointed Mr Alan Brooke as publishing director for non-fiction books from November 22. He was managing director of Michael Joseph.

■ Mr Roger Bird has been appointed group estates manager, HAYMILLS GROUP. He was estates director at Stead & Simpson.

■ HAMBRO GUARDIAN ASSURANCE has appointed Mr Brian Cosgrave to head the development of its new direct sales force. He was regional manager south, Royal Life direct sales.

■ VOICE SYSTEMS INTERNATIONAL, Cambridge, has appointed Mr Robert Kottritsch as managing director. He was marketing and business development director at Systems Reliability.

■ Mr Howard Bradford has been appointed divisional director - architecture of IDC, Stratford-upon-Avon, part of AMEC.

■ Dr Christopher Goll has been appointed a director of BASE INTERNATIONAL, Milton Keynes. Mr Andrew Hartley becomes a manager.

■ Mr Michael Green, managing director of Cookson Graphics, has been appointed managing director of EADIE HOLDINGS. He succeeds Mr Gary Smith who is leaving for a similar post elsewhere.

Mr Arthur S. Walsh *(above)*, chairman of STC, has been additionally appointed chairman of UNITEL.

■ Mr Alan English has been appointed managing director of APLIN & BARRETT, Trowbridge, part of the bacterial products group of Australian-based Burns Philp & Co. He will also be responsible for Imperial Biotechnology, and joins the group from APV where he was project sales director. Mr English succeeds Mr David Hall who has retired.

■ Mr Hitesh Mehta has joined COMPUTERLAND EUROPE as marketing director. He was with IBM.

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AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1						01-407 4404
Wellington Income	5¼	134.1	135.9xd	144.5	+0.3	5.34
Wellington Growth	5¼	215.0	217.0xd	230.8	+0.5	[illegible]
Wessex Asset Management (1530)F						
1 Richmond Hill, Bournemouth BH2 6HW						0202 [illegible]
Wessex UK Gwth	4½	107.9	111.5	116.1	+0.7	2.91
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT						01-606 [illegible]
Challenger & F	2½	60.18	60.18xd	61.72	[illegible]	[illegible]
Short Dat Gilt ♥F	1½	81.78	81.78	82.97	[illegible]	[illegible]
U.S. Govmt Bond ♦F	1½	[illegible]	[illegible]	[illegible]	[illegible]	0.00
Wilfire Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2						01-588 7911
Aust Friars W'wide	5	187.6	198.9	205.0	----	2.60
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 [illegible]
Capital & Equity	5	55.59	58.71xd	62.45	-0.18	[illegible]
European	5	73.64	73.96	78.68	+0.79	0.10
Far Eastern	5	62.77	67.85	72.17	+0.48	0.64
Growth Inc	5	77.37	80.95	86.11	+0.49	1.58
Growth Acc	5	77.44	81.02	86.19	+0.31	1.58
Income Inc	5	72.23	77.46	82.41	+0.25	[illegible]
Income Acc	5	72.59	77.76	82.72	+0.26	5.10
Property Share	5	48.53	48.53	51.72	+0.15	1.07
Smaller Co's	5	48.76	48.76	51.97	-0.12	[illegible]
Nth American	5	64.33	64.33	68.80	+0.48	[illegible]
International	5	47.73	47.73	52.04	+0.11	7.44
Asset Value	5	[illegible]	[illegible]	169.88	+0.57	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Bloomfield St, London EC2M 7AY						01-[illegible]
Intl Growth	5	111.29	111.29	117.15	----	4.00
UK Growth	5	91.47	91.47	96.28	----	9.12
UK Income	5	95.10	95.10	100.10	----	[illegible]

Weekly dealing day Tuesday

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	123.0	130.0	...	−
Building Soc. Fd	180.0	190.0	...	−
Balanced	276.0	291.0	+1.0	−
European	184.0	194.0	+1.0	−
GT Managed	181.0	191.0	+1.0	−
Gartmore Mngd	126.0	133.0	...	−
German	147.0	155.0	+5.0	−
Gilt	175.0	185.0	...	−
Global	49.0	52.0	...	−
High Inc	106.0	112.0	...	−
International Equity	190.0	200.0	...	−
Japan	278.0	293.0	...	−
Managed	56.0	59.0	...	−
Property	298.0	311.0	...	−
R W Imperial Gold	147.0	155.0	...	−
UK Equity	301.0	317.0	...	−
Pension Funds				
American	153.0	162.0	...	−
Building Soc Fd	180.0	190.0	...	−
Balanced	216.0	228.0	...	−
European	185.0	195.0	...	−
German	123.0	130.0	...	−
Gilt	153.0	162.0	...	−
International Equity	140.0	148.0	...	−
Japan	144.0	152.0	...	−
Managed	62.0	66.0	...	−
Property	228.0	240.0	...	−
UK Equity	302.0	318.0	...	−

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 332323

	Bid Price	Offer Price	+ or −	Yield Gross
Pension Managed Fund	92.84	98.13	+0.56	−
Pensions Cash Fund	81.55	85.84	+0.1	−

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

Brown Shipley Fund Mngt (CI) Ltd

Cater Allen Investment Mngt (CI) Ltd

Citibank (CI) Ltd

EBC Trust Company (Jersey) Ltd

Equitable International Mngt Ltd

Fidelity International (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Health 2000 Limited

Hill Samuel Investment Services Int(CI)

Management International (Jersey) Ltd

Midland Bank Trust Corp. (Jersey) Ltd

MIM Britannia International Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Morgan Grenfell (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngrs. (Jersey) Ltd

Prudential Intl Financial Services Ltd

Royal Trust Fd Mngt (CI) Ltd

Royal Trust Intl Fd Mngt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fund Limited

Scrimgeour Kemp-Gee Mngmt. Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Investment Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

World Capital Fund Plc-SICAV

Worldinvest (Managers) Jersey Ltd

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

Equity & Law Intl Life Assce Co Ltd

Barclife Assurance Group

Fleecon International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NM Life Assurance Intl Ltd

Premium Life International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100	98	Exch 10¼pcCv '89	100		–	–
101	99	Treas 13pc 1990‡‡	99		13.06	14.69
133	124	Treas 2pc IL '90(84.6)	133		2.09	9.98
99	98	Exch 11pc 1990‡‡	99		11.10	14.22
101	99	Exch. 12½pc 1990	99		12.59	14.44
96	91	Treas. 3pc 1990	96		3.24	11.76
97	95	Treas 8¼pc 1987–90‡‡	97		8.49	13.69
98	95¼	Treas. 8pc Cv 1990 ‡‡	96		8.29	13.65
98	96	Treas. 10pcCv 1990	97		10.30	13.39
99	87	Exch 2½pc 1990	92		2.70	10.15
101	98	Treas 11¾pc 1991	98		11.91	12.99
93	89	Funding 5¾pc '87–91‡‡	93		6.18	11.28
90	86	Treas. 3pc 1991	90		3.31	9.92
100	95	Treas 10pc Cv '91 ‡‡	96		10.36	12.37
101	96	Exch. 11pc 1991	97		11.24	12.25
94	91	Treas. 8pc 1991	92		8.65	12.22
106	100	Treas 12¾pc 1992‡‡	101		12.52	11.74
99½	95	Treas 10pc 1992	96½		10.37	11.78
94	90	Treas. 8pc 1992 ‡‡	92		8.67	11.76
100	96	Treas 10½pc Cv 1992‡‡	97		10.75	11.59
85	82¼	Treas. 3pc 1992	84		3.54	9.82
105	100	Exch. 12¼pc '92	101		12.09	11.63
109	103	Exch 13½pc 1992	104		12.90	11.50
94	90	Treas 8¼pc 1993	91		9.01	11.37
100	95	Treas 10pc 1993‡‡	96		10.36	11.23
108	102	Treas 12½pc 1993‡‡	103		12.08	11.28
88	84	Funding 6pc 1993‡‡	86		6.91	10.21
113	107	Treas 13¾pc 1993‡‡	108		12.72	11.19
94½	89	Treas. 8½pc 1994	91		9.34	11.21
117	111	Treas 14½pc 1994‡‡	111		12.99	11.02
113	107	Exch 13½pc 1994	108		12.50	11.15
100	95	Treas. 10pc Ln. 1994‡‡	96		10.37	11.02
110	104	Exch. 12¾pc 1994	104		11.92	11.14

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15¼	847p	Hasbro Inc 50c	14¼	+⅛	16c	–	0.7
57½	32¾	Honeywell $1½	51½	.....	$2.75	–	3.4
22⅝	15¼	Houston Inds	22⅛	–⅛	$2.96	–	8.5
76⅛	60⅞	3M Corpn $1⅛	62¼	+1	$4.84	–	4.9
60p	45p	Image Storage/R Sys 1c	50p	.....	–	–	–
32⅛	16¼	Ingersoll-Rand $2	28⅛	+⅛	$1.20	–	2.7
33¼	22½	Lockheed Crpn $1	28¼	+⅛	$1.80	–	4.0
22⅝	14⅛	Lone Star Inds $1	14½	+⅛	$1.90	–	8.3
27⅞	17⅛	Louisiana Land 15c	25¼	+⅛	$1.00	–	2.5
20⅛	11¼	Lowe's 50c	18⅛	+⅛	48c	–	1.6
26¾	15⅛	Manuf Hanover $1	23⅝	+⅛	$3.28	–	8.8
22⅝	13⅛	Merrill Lynch $1	16⅛	.....	$1.00	–	3.7
2477p	1910p	Molex Inc	2232p	+5	3.2c	–	–
30⅛	18⅛	Morgan (JP) $2½	27½	+⅛	$1.60	–	3.8
26⅛	24⅛	Morris (Philip)	26⅞	+⅛	$1.13	–	2.7
54½	36¼	NYNEX $1	49⅞	+⅛	$4.36	–	5.5
44p	20p	N'wide Legal Serv	23p	.....	–	–	–
24⅞	16⅛	PHH Corp	22⅞	+⅛	$1.16	–	3.2
259p	174p	Pacific Agr	174p	–16	–	–	–
27⅛	19	Pacificorp $3⅛	27⅛	+⅛	$2.76	–	6.1
30⅛	16⅛	Pac. Tc Telsis 10c	26⅞	+⅛	$1.88	–	4.4
22⅞	13⅛	Pall Corp 25c	22⅛	+2⅛	46c	–	1.3
55⅛	39⅛	Pennzoil $3 1/3c	51⅛	+⅛	$3.00	–	3.7
42⅛	28⅛	Quaker Oats $5	38⅛	+⅛	$1.40	–	2.3
32⅛	23⅛	Rep NY Corpn $5	30	–⅛	$1.28	–	2.7
19⅛	11⅛	Rockwell Intl $1	15⅛	+⅛	72c	–	3.2
29⅛	22	Sears, Roebuck 75c	23⅛	–⅛	$2.00	–	5.3
37⅛	21⅛	Southwestern Bell $1	35⅛	+⅛	$2.60	–	4.7
27⅛	17⅛	Sun Co Inc $1	24⅛	–⅛	$1.80	–	4.6
31⅛	22⅛	TRW Inc 62½c	29⅞	+⅛	$1.72	–	3.5
24⅛	14⅛	TW Services $5	21⅛	+⅛	–	–	–
[illegible]							

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

High	Low	Stock	Price	+ or -	Div Net	Cvr	Yld Gr's	P/E
160	95	Seacon Hldgs. v	130	....	†2.5	6.1	2.6	8.1
39	20	Sleepy Kids 5p v	26	+1	–	–	–	–
•17½	5½	Stals Hldgs 5p v	7½	–½	–	–	–	13.0
•3¼	1⅛	Swanyard Studios 1p v	1½	....	–	–	–	7.2
11	2½	System Connection 2½p v	2½	–¼	–	–	–	3.3
50	28	Tavern Leis 20p v	39	....	–	–	–	–
115	28	Tomorrows Leisure 20p v	91	+7	–	–	–	34.6
		For Tullow Oil see Oils & Gas						
113	60	UPL Group 10p v	65	....	2.75	1.9	5.6	12.3
150	129	Unit Group v	129	....	5.0	3.3	5.2	7.3
100	66	Video Magic Leis. 1p v	79	....	W2.0	0.7	3.4	63.3
14	4½	Vista Ents 5p v	5½	....	–	–	–	–
40	21	Vizcaya Hldgs 5p v	23	–2	–	–	–	–
46½	23	Whitegate Leisure 20p v	39	....	–	–	–	–
32½	10	Do. Wrrnts v	25	....	–	–	–	–
10¼	5	Wilton Group 1p v	5¼	....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶¶ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◊ Merger bid or reorganisation in progress
- ◊ Not comparable
- ◊ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p v	87	.....
Craig & Rose £1 v	[illegible]	+2
Finlay Pkg. 5p v	66	–2
Holt (Jos) 25p v	1343	.....

Arnotts	400½xd	.....
Carrol (P J.) v	145	–5
Hall (R. & H.J.)	165	.....
Heiton Hldgs. v	[illegible]	.....
IRG	220	.....
United Drug	130	.....

IRISH

Cap. 8½% Ln. 1991	£96¼	.....
9pc Cap Ln. 1996	£97½	.....
Fin. 13% 97/02	£11[illegible]	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	59
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	128
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen.	31
Lex Service	26
Lloyds Bank	31
Lucas Inds.	54
Marks & Spencer	16
Midland Bk	24
Morgan Grenfell	38
Nat West Bk.	23
P & O Dfd.	51
Polly Peck	38
Racal Elect.	20
RHM	39
Rank Org Ord.	72
Reed Intel	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs.	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Attention focuses on D-Mark

EASTERN EUROPE'S sudden awakening from over 40 years of Communist led economic stagnation concentrated attention on the D-Mark yesterday.

The implications for the West Germany economy of events in East Germany have put downward pressure on the D-Mark, but the longer term implications for the currency are probably favourable, according to analysts. Mr Chris Tinker, currency analyst at UBS Phillips & Drew, said "It will take a lot longer than the current euphoria might suggest for long term confidence to lead to the positive economic developments for Europe as a whole to take place, but the brave and the far sighted buy D-Marks."

Others agreed that the possible reunification of Germany is likely to strengthen the West German economy, and even in the short term the impact on the D-Mark from an influx of refugees from the east may have been overdone.

The problems facing eastern Europe were illustrated by yesterday's fifth devaluation of the Polish zloty, since Poland's democratic government took office in September. The zloty was devalued by 9.7 per cent to 3,100 to the dollar, from 2,800 on Friday. In the past two months the zloty has been devalued by 53.5 per cent, from 1,441 to the dollar in early September, to narrow the gap between official and free market rates, and achieve domestic convertibility.

The D-Mark was a little firmer within the European Monetary system, in expectation that the Bundesbank will be reluctant to ease its monetary stance in the present circumstances. A weakening of the D-Mark, against a background of recent political events, had previously eased strains within the system.

In Tokyo the D-Mark touched a low of Y76.88, but recovered to Y77.30 later in Europe. Interest rate differentials in favour of Frankfurt over Tokyo led to a strengthening of the D-Mark to Y77.80 earlier this month, from Y74.20 in early October, but the West German currency has since weakened.

Other major currencies traded calmly, with the dollar holding in a narrow range and showing small mixed changes. At the London close the US currency had eased slightly to DM1.8610 from DM1.8630, was unchanged at FFr6.3150, and had improved to Y143.85 from Y143.35 and to SFr1.6410 from SFr1.6375. The dollar's index rose to 70.1 from 69.9.

Sterling was supported by uncertainty surrounding the D-Mark, and the general appeal of high yielding currencies. There was no strong reaction to weaker than expected UK retail sales in October, while figures on producer prices were within the general range of forecasts and also had little impact.

The pound rose 40 points to \$1.5805. It also climbed to DM2.9425 from DM2.9375; to Y227.25 from Y226.00; to SFr2.5950 from SFr2.5825; and to FFr9.9800 from FFr9.9550. Sterling's index rose 0.3 to 89.3.

£ IN NEW YORK

Nov.13	Latest	Previous Close
£ Spot	1.5870-1.5880	1.5765-1.5775
1 month	0.84-0.83pm	0.82-0.79pm
3 months	2.39-2.36pm	2.46-2.42pm
12 months	8.38-8.28pm	8.30-8.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.13	Previous
8.30 am	89.0	89.0
9.00 am	88.9	89.0
10.00 am	89.0	89.0
11.00 am	89.0	89.0
Noon	88.9	89.1
1.00 pm	88.9	89.0
2.00 pm	88.9	89.1
3.00 pm	89.0	89.0
4.00 pm	89.3	89.0

CURRENCY RATES

Nov.13	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling §	-	1.24377	1.42629
U.S Dollar	7	1.27549	1.10321
Canadian $	12.46	1.49063	1.28888
Austrian Sch.	6½	16.6270	14.4720
Belgian Franc	10¼	49.5051	43.0993
Danish Krone	10½	9.15793	7.97182
Deutsche Mark	6.00	2.36016	2.05573
Neth.Guilder	7.00	2.66326	2.31929
French Franc	10¼	8.00060	6.97342
Italian Lira	13½	1723.79	1500.92
Japanese Yen	3¼	181.948	158.477
Norway Krone	8	8.82972	7.67506
Spanish Peseta	-	148.947	130.069
Swedish Krona	9½	8.19561	7.12897
Swiss Franc	6.00	2.07185	1.81313
Greek Drach.	20½	210.340	183.818
Irish Punt	-	0.884612	0.772667

§ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Nov.10

CURRENCY MOVEMENTS

Nov.13	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.3	-22.0
U.S Dollar	70.1	-8.2
Canadian Dollar	105.6	-1.9
Austrian Schilling	107.7	+10.5
Belgian Franc	107.3	-5.2
Danish Kroner	105.4	-0.3
Deutsche Mark	114.9	+22.0
Swiss Franc	106.5	+15.6
Guilder	111.7	+14.4
French Franc	100.8	-18.4
Lira	99.3	-18.8
Yen	135.8	+65.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Nov 10.

OTHER CURRENCIES

Nov.13	£	$
Argentina	1024.55-1032.80	650.00-655.00
Australia	1.9970-1.9990	1.2675-1.2685
Brazil	9.3285-9.3790	5.9180-5.9480
Finland	6.7765-6.7890	4.3020-4.3040
Greece	260.00-264.50	164.95-167.60
Hong Kong	12.3035-12.3165	7.8125-7.8145
Iran	114.10*	71.90*
Korea(Sth)	1051.90-1068.90	669.60-674.80
Kuwait	0.4710-0.4730	0.2985-0.2995
Luxembourg	61.60-61.70	38.95-39.05
Malaysia	4.2500-4.2610	2.6990-2.7010
Mexico	4134.60-4151.70	2623.00-2633.00
N Zealand	2.6830-2.6890	1.7025-1.7055
Saudi Ar.	5.9160-5.9220	3.7505-3.7515
Singapore	3.0920-3.0975	1.9600-1.9620
S Af (Cml)	4.1860-4.1970	2.6550-2.6580
S Af (Fn)	6.1125-6.2330	3.8760-3.9525
Taiwan	40.65-40.75	25.80-25.85
U.A.E.	5.7925-5.7980	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Nov 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅝-14¼	14 13/16-14⅝	15-14 13/16	15 1/16-15	14⅞-14¾	14 7/16-14 5/16
US Dollar	8½-8¼	8 7/16-8 5/16	8 7/16-8 5/16	8 5/16-8 3/16	8⅜-8¼	8⅜-8¼
Can. Dollar	12-11¾	12¼-11⅞	12 3/16-11 15/16	12⅛-11⅞	12-11¾	11 13/16-11 9/16
D. Guilder	8½-8¼	8½-8¼	8 9/16-8⅜	8 5/16-8⅛	8½-8⅜	8½-8⅜
Sw. Franc	7¼-7	7½-7¼	7 13/16-7 9/16	8-7¾	8-7¾	8-7¾
Deutschmark	7¾-7½	7⅞-7⅝	8 1/16-7 13/16	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝
Fr. Franc	10-9¾	9¾-9½	10¼-10	10⅝-10⅜	10⅝-10⅜	10⅝-10⅜
Italian Lira	12-10	11¼-10¼	12⅛-11⅞	12¼-12	12⅞-12⅝	12⅞-12⅝
B. Fr. (Fin)	10¼-10⅛	10⅛-10	9 13/16-9 9/16	9 13/16-9 9/16	9 13/16-9 9/16	9¾-9½
B. Fr. (Con)	10⅛-10	10⅛-9⅞	10-9¾	10-9¾	9¾-9½	9¾-9½
Yen	6-5¾	6⅛-6	6½-6¼	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝
D.Krone	12⅛-12	12¼-12⅛	12⅛-12¼	12⅛-12¼	11⅞-11⅝	11⅞-11⅝
Asian $Sing	8 7/16-8 5/16	8⅜-8¼	8 7/16-8 5/16	8 7/16-8 5/16	8⅜-8¼	8⅜-8¼

Long term Eurodollars: two years 8 7/16-8 5/16 per cent; three years 8 9/16-8 7/16 per cent; four years 8⅝-8½ per cent; five years 8 11/16-8 9/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5710-1.5815	1.5800-1.5810	0.83-0.81cpm	6.23	2.46-2.43pm	6.19
Canada	1.8350-1.8475	1.8450-1.8460	0.44-0.36cpm	2.67	1.26-1.22pm	2.69
Netherlands	3.30½-3.32½	3.31½-3.32½	1⅞-1⅝cpm	6.54	5¼-5pm	3.05
Belgium	61.25-61.75	61.60-61.70	28-23cpm	4.96	80-73pm	4.96
Denmark	11.35¾-11.42½	11.41-11.42	2⅝-2⅛orepm	2.62	9½-8½pm	3.15
Ireland	1.1000-1.1090	1.1055-1.1065	0.45-0.40pm	4.61	1.00-0.90pm	3.44
W. Germany	2.92¼-2.94½	2.94-2.94½	1⅝-1½pfpm	6.36	4⅝-4½pm	6.19
Portugal	249.75-252.20	251.20-252.20	36-19cpm	1.31	55-13pm	0.54
Spain	185.10-186.20	185.80-186.10	1-6cdis	-0.22	10-1pm	0.11
Italy	2139¼-2150¼	2149¼-2150¼	6-4lirepm	2.79	14-11pm	2.32
Norway	10.53¾-11.01½	11.00-11.01	3⅝-3⅛orepm	3.54	9⅝-8⅞pm	3.31
France	9.93½-9.98½	9.97½-9.98½	4⅛-3⅞cpm	4.80	11⅛-10⅝pm	4.35
Sweden	10.15¾-10.24	10.23-10.24	2⅞-2⅛orepm	3.29	8⅛-7⅛pm	3.10
Japan	225¼-227¾	226¾-227¾	1⅝-1½ypm	8.23	4⅝-4½pm	7.92
Austria	20.61-20.71	20.68-20.71	11⅛-10½gropm	6.34	33½-31½pm	6.24
Switzerland	2.58¾-2.60	2.59-2.60	1⅝-1½cpm	7.21	4⅝-4½pm	6.64
ECU	1.4300-1.4410	1.4300-1.4310	0.14-0.11cpm	1.05	0.52-0.49pm	1.41

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 61.85-61.95 Six-month forward dollar 4.59-4.54cpm 12 Months 8.20-8.10cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5710-1.5815	1.5800-1.5810	0.83-0.81cpm	6.23	2.46-2.43pm	6.19
Ireland†	1.4250-1.4320	1.4285-1.4295	0.29-0.24cpm	2.23	1.12-1.02pm	3.00
Canada	1.1650-1.1695	1.1670-1.1680	0.34-0.36cdis	-3.60	1.04-1.10dis	-3.66
Netherlands	2.0965-2.1060	2.0995-2.1005	0.01-0.02cdis	-0.09	0.02-0.06dis	-0.08
Belgium	38.95-39.10	38.95-39.05	3.00-5.00cdis	-1.23	10.50-13.50dis	-1.23
Denmark	7.21-7.23½	7.22-7.22½	2.05-2.30oredis	-3.61	6.30-6.80dis	-3.62

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.10-39.20

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0993	+1.51	+1.13	±1.5424
Danish Krone	7.85212	7.97182	+1.52	+1.15	±1.6419
German D-Mark	2.05853	2.05573	-0.14	-0.51	±1.1019
French Franc	6.90403	6.97342	+1.01	+0.63	±1.3719
Dutch Guilder	2.31943	2.31929	-0.01	-0.40	±1.5019
Irish Punt	0.768411	0.772667	+0.55	+0.18	±1.6689
Italian Lira	1483.58	1500.92	+1.17	+1.17	±4.0815
Spanish Peseta	133.804	130.069	-2.79	-2.79	

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Nov.13	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.581	2.943	227.3	9.98	2.595	3.320	2150	1.846	61.65
$	0.633	1	1.861	143.8	6.311	1.641	2.100	1360	1.168	38.99
DM	0.340	0.537	1	77.23	3.391	0.882	1.128	730.5	0.627	20.95
YEN	4.399	6.956	12.95	1000.	43.91	11.42	14.61	9459	8.121	271.2
F Fr.	1.002	1.584	2.949	227.8	10.	2.600	3.327	2154	1.850	61.77
S Fr.	0.385	0.609	1.134	87.59	3.846	1	1.279	828.5	0.711	23.76
H Fl.	0.301	0.476	0.886	68.46	3.006	0.782	1	647.6	0.556	18.57
Lira	0.465	0.735	1.369	105.7	4.642	1.207	1.544	1000.	0.859	28.67
C $	0.542	0.856	1.594	123.1	5.406	1.406	1.798	1165	1	33.40
B Fr.	1.622	2.564	4.774	368.7	16.19	4.209	5.385	3487	2.994	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2228.0	2257.0	2226.0	2235.0
Mar	2269.5	2292.0	2283.0	2277.0
Jun	2309.0			2316.0

Estimated volume 3933 (4078)
Previous day's open int. 31162 (31487)

EUROPEAN OPTIONS EXCHANGE

Series	Jan. 90 Vol	Jan. 90 Last	Apr. 90 Vol	Apr. 90 Last	Jul. 90 Vol	Jul. 90 Last	Stock
Nat.Ned. P Fl. 70	655	5.20	594	6	6	5.50	Fl. 64.90
Philips C Fl. 50	689	2	637	3.80	428	5	Fl. 48.70
Philips P Fl. 50	533	3.10 b	636	5	611	5.30	Fl. 48.70
Royal Dutch C Fl. 140	406	4	248	7.40	-	-	Fl. 137.50
Royal Dutch P Fl. 135	275	3	-	-	-	-	Fl. 137.50
Unilever C Fl. 160	324	1.50	79	4.50	6	6	Fl. 147.80
Unilever P Fl. 140	149	1.50	2	3.50	10	4.80	Fl. 147.80
Van Ommeren P Fl. 30	-	-	104	2	-	-	Fl. 30.70

TOTAL VOLUME IN CONTRACTS : 42,306
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

German rates firm

POLITICAL EVENTS gave a firm tone to interest rates in Frankfurt yesterday, while a weakening of UK retail demand led an easing of rates in London. Nervousness surrounding the D-Mark, and worries about the impact of East German refugees on the West German economy, pushed call money up to 7.70 per cent from 7.65 per cent in Frankfurt. The upward trend was limited however, because West German banks are well stocked with liquidity at present.

UK clearing bank base lending rate 15 per cent from October 5

Banks reserve holdings at the Bundesbank averaged DM64.4bn for the first nine days of November, against an expected average requirement for the whole month of about DM57bn. The Bundesbank may react by draining funds at this week's securities repurchase agreement tender. A total of DM25.4bn will leave the money market on Wednesday as two pacts expire and it remains to be seen how much of this the central bank will replace.

On Liffe German Government bonds fell in active trading. Short sterling futures traded quietly. The lack of any expectation that UK bank base rates will change before delivery of the December contract has shifted most trade into March. March short sterling closed unchanged at 86.39, after touching a peak of 86.45 on news of an unexpected fall of 0.7 per cent in October UK retail sales.

In London money market rates eased slightly on the retail sales figures and the pessimistic CBI/FT survey of the distributive trades, published yesterday. Three-month sterling interbank fell to 15-14⅞ per cent from 15 1/16-15 per cent.

Day-to-day credit conditions were very comfortable. The Bank of England initially forecast a money market credit surplus of £400m, but revised this to £600m at noon. A total of £591m bills were sold to the market to absorb surplus funds.

Before lunch the authorities sold £450m Treasury bills, due on November 24, at rates of 14¾-14 11/16 per cent. In the afternoon another £141m bills were sold, due on the same date, at 14 11/16 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £444m. This was outweighed by Exchequer transactions adding £265m to liquidity, a fall in the note circulation of £525m, and bank balances above target of £55m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.13) 3 months US dollars		6 months US Dollars	
bid 8 5/16	offer 8 7/16	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed.funds	8 7/16
Fed.funds at intervention	8 5/16

Treasury Bills and Bonds

One month	6.79	Three year	7.86
Two month	8.13	Four year	7.88
Three month	7.95	Five year	7.88
Six month	7.98	Seven year	7.92
One year	7.84	10-year	7.96
Two year	7.85	30-year	7.93

Nov.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.65-7.75	7.75-7.85	8.10-8.25	8.10-8.25	8.10-8.25	8.00
Paris	9 5/16-9 7/16	9 15/16-10 1/16	10 1/16-10 3/16	10¼-10⅛	10 1/16-10 3/16	9.50
Zurich	6⅝-6⅞	7¼-7⅜	-	7⅝-7¾	-	-
Amsterdam	8.25-8.37	8.38-8.48	-	8.45-8.55	-	-
Tokyo	5 11/16-6 1/16	6 11/16-6 13/16	-	6 13/16-6 15/16	-	-
Milan	12¼-12⅜	12¼-12⅜	-	12⅝-13⅛	-	-
Brussels	-	-	-	-	-	-
Dublin	9¼-9⅝	10⅛-10⅜	11¼-11½	11⅛-11⅜	12-12¼	-

LONDON MONEY RATES

Nov 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	14 15/16	15	15 1/16	14 15/16	14 7/16
Interbank Bid	11	14¾	14⅞	14 15/16	14 13/16	14 5/16
Sterling CDs.	-	-	14 13/16	14 13/16	14 11/16	14¼
Local Authority Deps.	14⅝	14¾	14⅞	14⅞	14⅝	14⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14¾	14 13/16	14⅝	-	-
Company Deposits	-	-	15	15 1/16	14¾	14¼
Finance House Deposits	-	-	15	15	14 13/16	14⅜
Treasury Bills (Buy)	-	-	14 11/16	14⅝	-	-
Bank Bills (Buy)	-	-	14 13/16	14 13/16	13¾	-
Fine Trade Bills (Buy)	-	-	15 3/16	15⅜	14⅞	-
Dollar CDs.	-	-	8.50	8.50	8.30	8.25
SDR Linked Dep. Offer	-	-	8 13/16	9 1/16	9⅛	9
SDR Linked Dep. Bid	-	-	8 11/16	8 15/16	8⅞	8¾
ECU Linked Dep. Offer	-	-	10⅜	10¼	10¼	10 3/16
ECU Linked Dep. Bid	-	-	10 1/16	10⅛	10⅛	10 1/16

Treasury Bills (sell): one-month 14⅝ per cent; three months 14 11/16 per cent; Bank Bills (sell): one-month 14 11/16 per cent; three months 14 7/16 per cent; Treasury Bills: Average tender rate of discount 14.3433 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1989. Agreed rates for period November 26 1989 to December 25, 1989. Scheme I: 15.66 p.c., Schemes II & III: 16.22 p.c. Reference rate for period Sept.30, 1989 to October 31, 1989. Scheme IV&V: 15.084 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm. Bk. N. East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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COMPANY NOTICES

NOTICE TO THE HOLDERS OF KENWOOD CORPORATION
(formerly TRIO-KENWOOD CORPORATION)
U.S.\$35,000,000 3¼ per cent. Convertible Bonds 1995 (the "Bonds")

Notice is hereby given that all of the outstanding Bonds have been converted into shares of common stock of Kenwood Corporation as of 21st December, 1988.

Therefore the Bonds will cease to be listed on the Luxembourg Stock Exchange.

By: The Industrial Bank of Japan (Luxembourg) S.A.
As Listing Agent

ART GALLERIES

MARTYN GREGORY: Early English Watercolours. Nov. 1-24. 10-6. Sats 10-1. 34 Bury Street, St. James's, London SW1. 01-839 3731

LEGER, 13 Old Bond St., W1, JULIAN DARROW. Recent Paintings. Mon-Fri. 9.30 - 5.30

PERSONAL

DISABLED Mr B, a writer, managed to earn his living and support a family. With old age came increasing disability and he now needs the continuing support PCAC can give him. To help Mr B and others like him, please send a donation or consider making a Deed of Covenant to Professional Classes Aid Council (1), 10 St. Christopher's Place, London W1M 6HY

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JOTTER PAD

CROSSWORD

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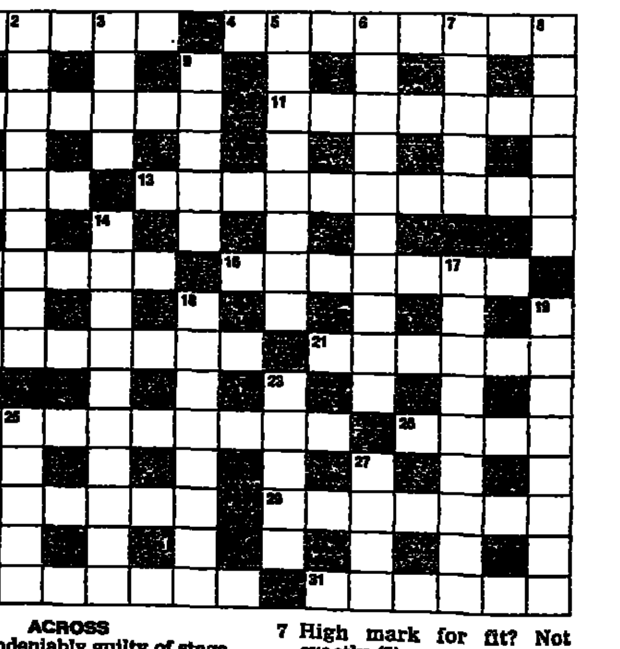
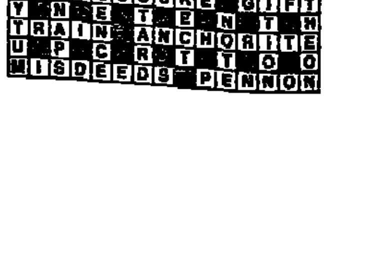


ACROSS
1, 4 Undeniably guilty of stage appearance? (6,2,3,3)
10 Talk? Such fuss! (7)
11 Partner's instrumental group (7)
12 Trendy church move covering little ground (4)
13 Popular radio star's intro rewritten (10)
15 Joined the Leeds team – or one at Manchester (6)
16 Unusual crime among motoring fraternity in country (7)
20 Just left a place of pleasure stranded (7)
21 A very strong atmosphere of romance? (6)
24 Pornographic photographs and drawings (10)
26 Male god or goddess (4)
28 Sauce label – as attached by firm (7)
29 Studying in Berkshire? (7)
30 Matter of particular interest to astronomers? (8)
31 Atmospheric manifestation of 30 from remote parts (6)

DOWN
1 Top music-maker producing hot stuff? (8)
2 Opening for removing hair, as it were (9)
3 Rose of the Sussex coast? (4)
5 Familiar term for devil oriental man brought up (8)
6 Sounds a convenient boat for demonstrating manual skill (10)
7 High mark for fit? Not exactly (5)
8 Voices disapproval about alternative books of instruction (6)
9 and 27 Underlay dumped outside royal theatre (5,4)
14 Doing without mortar's rotten! (10)
17 Many with passion embrace comfort and an end to strife (9)
18 Supporters in hot places – with clubs! (8)
19 One organising a year-end guide (8)
22 Nocturnal creature in rough sea goes down (6)
23 Mad about model in shop (5)
25 Cloud – one coming from a part of Italy? (5)
27 See 9

Solution to Puzzle No.7,088



WORLD STOCK MARKETS

AUSTRIA — November 13 — Sch. — + or − [illegible]

BELGIUM/LUXEMBOURG — November 10 — Frs. — + or − [illegible]

DENMARK — November 13 — Kr. — + or − [illegible]

FINLAND — November 13 — Mkk — + or − [illegible]

FRANCE — November 13 — Frs. — + or − [illegible]

FRANCE (continued) [illegible]

GERMANY — November 13 — Dm. — + or − [illegible]

GERMANY (continued) [illegible]

ITALY — November 13 — Lire — + or − [illegible]

ITALY (continued) [illegible]

NETHERLANDS — November 13 — Fls. — + or − [illegible]

NORWAY — November 13 — Kroner — + or − [illegible]

SPAIN — November 13 — Pts.% — + or − [illegible]

SWEDEN — November 13 — Kroner — + or − [illegible]

SWITZERLAND — November 13 — Frs. — + or − [illegible]

SOUTH AFRICA — November 13 — Rand — + or − [illegible]

JAPAN — November 13 — Yen — + or − [illegible]

AUSTRALIA — November 13 — Aust.$ — + or − [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG — November 13 — H.K.$ — + or − [illegible]

SINGAPORE — November 13 — S$ — + or − [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices November 10

Sales — Stock — High — Low — Close — Chng [illegible]

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices November 10

3400	BombrdrA	$15¾	15¾	15¾	− ⅛
27941	BombrdrB	$15⅞	15½	15½	− ⅜
1750	CB Pak	$10⅞	10¾	10⅞	− ⅛
69310	Cambior	$14⅛	14⅛	14⅛	− ⅛
9620	Cascades	$08	05⅞	08⅞	− ⅛
1775	DomTxtA	$15⅞	15¾	15¾	− ⅛
1000	Donohue	$11½	11½	11½	
660	Memotec	$10½	10⅜	10½	+ ⅛
328035	NatBk Cda	$13⅞	13⅝	13¾	− ⅛
2450	Noverco	$11⅞	11¾	11¾	
11475	Power Corp	$16	15¾	15⅞	
23814	Provigo	$09¾	09⅝	09¾	+ ⅛
2500	Quebecr A	$18⅛	18⅛	18⅛	− ⅛
4200	Quebecr B	$14½	14⅛	14½	+ ⅛
10650	Videotron	$17	16¾	17	+ ¼

Total Sales 5,613,475 shares.

INDICES

NEW YORK

DOW JONES	Nov. 10	Nov. 9	Nov. 8	Nov. 7	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2625.61	2603.69	2623.36	2597.13	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.32	93.18	93.00	92.89	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1203.41	1192.39	1199.15	1188.30	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.95	219.50	220.95	219.63	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2635.86 (2634.84) Low 2603.07 (2595.90)

STANDARD AND POOR'S	Nov. 10	Nov. 9	Nov. 8	Nov. 7	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	339.10	336.57	338.15	334.81	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	386.45	383.22	385.14	381.39	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.55	32.50	32.55	31.99	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.90	186.75	187.48	185.74	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	371.47	370.41	370.72	368.51	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	456.19	454.07	454.05	449.40	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 3	Oct 27	Oct 20	year ago (approx.)
Dow Industrial Div. Yield	3.93	3.97	3.83	3.62
	Nov 8	**Nov 1**	**Oct 25**	**year ago (approx.)**
S & P Industrial div. yield	3.00	2.97	2.95	3.19
S & P Indl. P/E ratio	14.29	14.25	14.31	12.60

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Amax	2,222,500	23	+ ⅛
Pinnacle W Cap	2,075,100	7⅛	− 1⅛
TJX	1,901,700	15	− ⅛
Philip Morris	1,840,600	41⅛	+ ⅛
Oxy Pet	1,557,900	31	+ 3
McDonalds	1,454,500	31⅛	+ ½
Allergan	1,440,900	16⅛	− ⅝
Boeing	1,431,200	56	+ ⅝
Bristol Myers Sq	1,413,200	54⅛	+ ⅝
Avon Prod	1,411,400	36⅛	+ 5½

TRADING ACTIVITY

† Volume (Millions)	Nov 10	Nov 9	Nov 8
New York	131.800	144.468	171.134
Amex	12.506	12.798	13.395
NASDAQ	109.047	126.789	137.905
Issues Traded	1,938	1,945	1,957
Rises	890	649	1,076
Falls	545	708	408
Unchanged	503	489	473
New Highs	50	46	47
New Lows	55	59	51

CANADA

TORONTO	Nov 10	Nov 9	Nov 8	Nov 7	1989 HIGH	1989 LOW
Metals & Minerals	3426.5	3418.2	3421.6	3401.8	3919.2 (1/9)	3207.5 (3/1)
Composite	3943.7	3931.5	3937.0	3923.2	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2009.22	2002.46	2003.81	1997.70	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 13	Nov. 10	Nov. 9	Nov. 8	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1633.0	1636.6	1650.4	1658.4	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	816.3	821.5	828.6	832.1	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	425.05	401.09	382.01	371.77	525.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	(c)	6391.94	6336.70	6275.90	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	344.65	344.04	342.68	340.80	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	634.4	646.5	652.9	657.4	815.8 (18/4)	634.4 (13/11)
FRANCE						
CAC General (31/12/82)	512.1	507.1	507.6	501.7	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	117.3	116.1	116.1	114.5	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	648.59	634.84	623.07	610.75	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1906.1	1862.3	1829.0	1792.9	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1530.96	1496.69	1462.96	1441.79	1657.61 (8/9)	1271.70 (13/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2766.53	2776.86	2781.44	2731.07	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1664.60	1656.68	1660.15	1661.22	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	653.39	647.41	648.56	646.36	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35750.12	35663.20	35657.42	35595.59	35750.12 (13/11)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2700.95	2692.77	2684.12	2674.31	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3689.43	3672.79	3664.61	3660.51	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	250.8	249.7	248.7	249.0	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	192.5	191.9	191.2	191.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	630.57	628.43	624.91	623.10	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1382.48	1363.27	1363.23	1356.73	1382.48 (13/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1336.44	1331.99	1325.24	1321.31	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1939.0ϕ	1896.0	1940.0	1925.0	1940.0 (9/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2579.0ϕ	2575.0	2580.0	2565.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	925.32	927.59	907.21	872.88	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	300.47	300.39	(c)	301.13	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4165.0	4200.6	4189.6	4169.5	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	740.2	738.6	735.2	734.1	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	10127.05	10134.13	10119.85	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	740.01	722.74	716.26	704.24	740.01 (13/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	529.7	528.5	526.6	551.2 (3/8)	487.6 (13/6)

**Saturday Nov.11: Taiwan Weighted Price: 10252.40. Korea Comp Ex. 932.25.
ϕ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday November 13 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tokyo Tatemono	38.3m	2,380	+140	Nippon Steel	17.4m	743	+5
Aoki Corp	29.8m	1,880	+10	Sumitomo Metal	15.2m	735	+15
NKK	22.9m	755	+12	JDC	14.1m	1,560	+90
C.Itoh	18.9m	1,020	+20	Tokyu	14.0m	2,880	-30
Marubeni	18.2m	933	+32	Mitsui E&S	13.9m	918	+25

2pm prices November 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	21⅛	AAR	.48	1.4	21	174	34	33	33¼	– ⅞
9⅝	8⅝	ACM n	1.01	11.		48	9⅝	9¼	9⅜	+ ⅛
11⅜	10⅜	ACMIn		11.		473	11⅛	11¼	11¼	– ⅛
10⅛	8	ACM M	n1.01	12.		219	8⅞	8⅝	8¾	+ ⅛
11½	10	ACM Sc	1.35	11.		650	11⅛	11	11⅛	
9⅝	8⅞	ACMSp	1.01	11.		171	9⅛	9	9	
18	11½	AL Lab	.12	.7	17	88	18⅜	18⅛	18⅛	– ¼
4⅛	3⅛	AMCA	.12e	3.4	23	5	3½	3½	3½	
6⅛	4½	AM Intl			10	250	4⅞	4⅞	4⅞	
23½	20⅜	AM In pf	2	9.6		5	20⅞	20⅞	20⅞	– ⅛
107¾	46½	AMR			8	3116	70¾	69⅜	70	+ ½
27	25	ANR pf	2.67	10.		13	25⅝	25⅝	25⅝	
6½	3⅝	ARX				133	4	3⅞	3⅞	+ ⅛
54⅝	37¼	ASA	3a	5.6		2035	54⅛	52¼	53¼	+1⅛
30¼	16¾	AVX	.24	.8	39	462	29¼	28¼	29¼	
68½	44⅞	AbtLab	1.40	2.1	18	2600	67⅛	66⅝	66¾	
16¼	12¼	AbitibI g	1			113	12½	12⅜	12⅜	
13	7½	AcmeC	.40	4.1		37	9⅞	9¾	9¾	– ⅛
9⅜	5⅞	AcmeE	.32	3.7	11	1	8⅝	8⅝	8⅝	– ⅛
38½	20¼	Acuson			24	335	37	36¼	36⅞	+ ⅞
17⅞	14¼	AdaEx	2.06e	12.		269	u17⅛	17	17⅛	+ ⅛
12⅝	6½	Adobe				115	10⅞	10⅞	10⅞	+ ⅛
18⅞	16½	Adob pf	1.84	10.		2	18⅞	18⅞	18⅞	
21⅝	19⅞	Adob pf	2.40	12.		15	20½	20⅜	20⅜	– ⅛
10½	7⅛	AMD				274	7⅞	7⅝	7⅞	+ ⅛
35	28½	AMD pf	3	10.		57	29	28⅝	29	+ ⅜
10⅛	6⅝	Advest	.12	1.5	11	434	8	7⅞	8	+ ⅛
62½	48	AetnLf	2.76	4.6	10	1258	60	59⅝	59¾	– ⅛
14	11⅞	AflPb	.22	1.9		3442	12	11⅞	11⅞	
25	15⅛	Ahmans	.88	4.4	10	1670	20⅛	19⅝	20	

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

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NASDAQ NATIONAL MARKET

2pm prices November 13

[illegible]

AMEX COMPOSITE PRICES

2pm prices November 13

[illegible]

FINANCIAL TIMES

Tuesday November 14 1989

AMERICA

Dow edges up as investors wait for batch of figures

Wall Street

IN SPITE OF an easing in monetary policy by the US Federal Reserve last week and a burst of optimism as the Berlin Wall started to come down, the equity market failed to make much progress, *writes Janet Bush in New York.*

The mood was cautious at the start of a week which sees a great deal of economic data, the conclusion of the quarterly refunding and the meeting of the policy-making Federal Open Market Committee.

The Dow Jones Industrial Average recorded modest gains at the outset, dipped into negative territory, and then rose again. At 2 pm, the Dow was 6.77 higher at 2,632.28 on thin volume of 78m shares by midsession. On Friday, the Dow had risen almost 22 points.

The American Stock Exchange Index and the Nasdaq Composite were both lower at midsession.

It became clear early last week that the Fed had lowered its target for Fed Funds to 8½ per cent from 8¾ per cent. That produced a brief positive reaction in the equity market but did not, in the end, lead to much progress.

There was also some enthusiastic buying of some stocks of companies which have extensive operations in West Germany as investors speculated on the increased business which may come their way from East German buyers.

The Dow close on Friday was 3.90 points lower than the previous Friday, the smallest weekly point change for the Dow this year – not particularly encouraging given some of the positive news available to the market.

Yesterday's drifting was, however, not very surprising because the market is waiting to see how this week's economic data turn out. Today, October figures for retail sales, industrial production and capacity utilisation are due. All are expected to confirm a decelerating economy.

This batch of statistics is followed on Thursday by the September US merchandise trade balance, expected to show a deficit of about $9bn to $9.5bn from the August shortfall of $10.8bn.

The central concern of the equity market is that corporate earnings will continue to fall faster than interest rates. There are hopes that the Fed will soon move its Fed Funds target lower again. Nevertheless, the incremental nature of the Fed's easing moves so far have equity investors concerned that the Fed is not being aggressive enough.

Financial markets will be looking with interest at any hint of a further change in monetary policy to emerge from the Federal Open Market Committee starting today, and will also read carefully the minutes of the last meeting on October 3 which are due to be released on Friday.

Interest rate considerations and the level of demand at yesterday's auction of 10-year bonds and today's $10bn of 30-year bonds will determine the performance of the bond market, which may help to set the tone for equities.

Among featured stocks yesterday was Great Northern Nekoosa, which fell $¾ to $61⅛ by midsession after the company rejected a $58-a-share offer by Georgia-Pacific, citing possible anti-trust objections.

Dayton Hudson edged $¼ higher to $65¼ after its third-quarter net income came in at the high end of expectations.

MCA jumped $3⅛ to $65¾ on speculation that it might prove a profitable takeover candidate.

Canada

GOLD shares continued to rise in Toronto, showing some strength after last week's losses, but other stocks were flat in light trading at midsession. Bullion traded slightly above $390 an ounce, a psychological barrier for the market.

The strength in gold was attributed to Arab and Japanese buyers of bullion trying to establish positions.

Germany puts Wall Street in the shadows

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	−4.44	−14.12	+51.18	+51.40	+66.49
Belgium	*+0.84*	−2.88	*+10.22*	*+7.43*	*+17.97*
Denmark	+1.44	+9.26	+52.53	+31.57	+43.86
Finland	−1.77	−1.30	−1.30	−4.00	+7.04
France	+0.33	−0.30	+24.41	+18.47	+30.40
West Germany	+2.83	+7.43	+20.06	+14.30	+24.90
Ireland	−0.54	+5.20	+26.79	+23.60	+34.95
Italy	−0.90	−0.44	+4.86	+5.94	+16.86
Netherlands	*+0.88*	+0.89	*+21.09*	+15.23	+26.04
Norway	+0.51	+5.54	+49.16	+30.99	+42.39
Spain	−1.78	−1.77	+3.52	+7.55	+19.07
Sweden	+0.37	+1.50	+36.43	+25.24	+37.77
Switzerland	+2.47	+4.58	+13.36	+19.69	+26.02
UK	+1.92	+3.02	+19.75	+21.25	+21.25
EUROPE	**+1.31**	**+2.44**	**+18.78**	**+17.59**	**+23.69**
Australia	−1.72	+1.69	+5.98	+11.46	+17.93
Hong Kong	+1.29	+7.38	+10.80	+4.90	+20.30
Japan	+0.11	+3.85	+18.81	+11.37	+11.44
Malaysia	*+0.43*	*+3.84*	*+39.63*	*+34.55*	*+55.11*
New Zealand	−2.64	+1.81	+10.26	+18.41	+26.62
Singapore	+1.55	+3.26	+30.09	+26.89	+44.49
Canada	*+0.01*	*−1.10*	+22.99	+16.39	*+36.29*
USA	+0.44	−1.02	+25.99	+21.75	+39.70
Mexico	−4.25	−9.41	+98.28	+106.48	+105.85
South Africa	*+0.74*	*+23.50*	*+42.21*	*+43.59*	*+62.87*
WORLD INDEX	**+0.44**	**+1.93**	**+20.91**	**+15.97**	**+23.27**

† Based on 10th November 1989. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Jacqueline Moore

WEST Germany's stock market advance, mirroring the surge of East Germans through the Berlin Wall, was an ebullient climax to a week that had been overshadowed by global concern about Wall Street's volatility.

Europe began last week in a fretful state, worried about New York and about the possibility of higher interest rates. Events in Germany, however, helped the FT-Actuaries Europe index to end in happier mood, with an overall gain of 1.3 per cent. The World Index increased by only 0.4 per cent, restricted by the limited progress made in Japan and the US.

Fittingly, West Germany broke free after three dispirited weeks of declines to become the world's best performer, with a rise of 2.8 per cent. Frankfurt had begun the week tentatively, maintaining the *careful watch it had kept on* New York since the mini-crash of October 13. For the first three days last week, volumes continued to be low at a daily average of DM3.3bn, and the market remained edgy, although construction stocks began to brighten after a DM8bn housing programme for immigrants was announced late on Tuesday.

On Thursday and Friday, the sessions straddling the night of the opening of the Berlin Wall, turnover picked up to DM4.4bn and DM5.9bn respectively. Foreigners were said to be seeking construction issues, retailers' *shares and stocks of companies* with assets in Berlin.

While most analysts expect the popularity of these sectors to continue, some warn that the news is not all good for the West German economy. In particular, the influx of immigrants is expected to increase pressure on inflation as con*sumption* grows and house rents increase.

Switzerland, the world's second best performer last week, was swept along in the wake of its biggest trading partner, rising 2.5 per cent. Interest rate *fears waned as the week prog*ressed and, although volumes remained low, they were double those of the previous week.

It was not a good week for all Europeans, however, with the *Continent* providing three of the world's worst results. Austria, the worst, slipped 4.4 per cent, but the market was still 51 per cent this year.

Spain and Finland each eased by 1.8 per cent. The Spaniards were worried about interest rates, the US and their own budget, and were distracted by a *public holiday* on Thursday, while Finland resumed its downward path *after the previous week's* improvement.

Elsewhere, Asia's experience was mixed, with the antipodeans sinking back and Hong Kong and Singapore looking fairly strong. New Zealand fell 2.6 per cent, as speculation that Lion Nathan would pull out of its brewing assets deal with *Bond Corp* of Australia proved a worry. After the close on Thursday, Lion Nathan said that it had extended the deadline on the agreement, but also announced net profits below expectations.

Another sharp decline came in Mexico – but its fall of 4.2 per cent looks trifling for a market that has climbed more than 106 per cent this year.

EUROPE

Frankfurt surges on heavy demand from foreigners

ALL EYES, and most money, turned to West Germany yesterday, as foreigners rushed to view the new horizons revealed by the opening of the Berlin Wall. Most other bourses suffered from a lack of action, and Brussels was closed, *writes Our Markets Staff.*

FRANKFURT enjoyed one of its busiest days of the year, with share prices advancing again as investors regarded the influx of East Germans as an opportunity for construction and retail companies.

Turnover hit DM9.7bn, well above Friday's already heavy DM5.9bn. Much of the demand was from foreign buyers, particularly from France and the US in the after-market, while German funds seemed to stay away or take profits at higher levels, said one trader.

The DAX index jumped 34.27, or 2.3 per cent, to 1,530.96, the same percentage rise as on Friday. The FAZ index rose 13.75, or 2.2 per cent, to 648.59.

The gains came in spite of a downturn on the bond market, which was worried that higher consumer spending and economic assistance for East Germany *would push up inflation.*

Buying of stocks was broad-based, with good volume and healthy gains in blue chips. Daimler rose DM22 to DM682, Siemens gained DM24.50 to DM587 and Deutsche Bank picked up DM14.50 to DM682.50.

In the construction sector, Holzmann surged DM60 to DM1,200, although profit-taking tipped Hochtief DM5 lower to DM980. Among retailers, Karstadt gained DM37.50 to DM642.50 and Massa was lifted DM14 to DM314.

MAN, the engineering group, rose DM40 to DM393 after MAN Nutzfahrzeuge, its commercial vehicles subsidiary, confirmed at the weekend that it was seeking to take over Enasa, the Spanish truck manufacturer, in a joint deal with Daimler.

Munich Re, the leading reinsurance company, fell DM50 to DM2,400 after reporting group net profit virtually unchanged.

PARIS saw interest continue in construction and other stocks that could benefit from the upheaval in Germany, but overall trading was quiet and dull. "Things are taking place a bit too quickly and a lot of people aren't sure what to make of all this, so their reaction is to stay on the sidelines until we get a clearer picture," said one analyst.

Tied in with the joy of seeing the Berlin Wall being dismantled, some people were also nervous about the prospect of a reunified Germany, he said.

While there was less of a rush to buy than on Friday, Saint-Gobain, the glass producer which does extensive business with West Germany, had another good day, rising FFr6 to FFr636 as 166,000 shares changed hands. Seb, the white goods manufacturer which owns the German company Rowenta, gained FFr30 to FFr975.

LVMH was little affected by the latest twist in the battle for its control, easing FFr10 to FFr4,820 after the Paris commercial court ruled that a meeting of shareholders in the Louis Vuitton luggage subsidiary should be postponed from *this week until* March 15.

The OMF 50 index was off 0.33 at 498.60, and turnover was thought to be below FFr2bn, after FFr2.2bn on Friday.

MILAN made a technical rebound as the expiry of *options helped to boost* the Comit index by 5.98, or 0.9 per cent, to 653.39. Many observers had believed that the market was due for a rise this week, said an analyst, but had not expected it to be so strong yesterday. Turnover was estimated at a fairly low L150bn.

ZURICH declined as investors took profits after last week's upswing. Turnover remained thin, as the Crédit Suisse index eased 0.8 to 602.7.

Bearers of Winterthur, the insurer, lost SFr125 to SFr4,675

AMSTERDAM had one of its quietest days this year, with volume reaching a meagre Fl 445m as attention focused on *its German neighbour.* The bond market followed Germany's down sharply, but equities were unruffled and the CBS tendency index closed 0.8 higher at 179.5.

Hoogovens, the steelmaker, *benefited from expectations of* orders from the German construction boom, rising Fl 1.20 to Fl 80.90. VMF Stork, the capital goods manufacturer, climbed Fl 1 to Fl 40.50.

MADRID was hardly changed, with the general index up 0.08 at 300.47. While there is support at the 300 *level, some analysts are now* talking of a possible break downwards to 275.

News of a rise in October inflation of 0.4 per cent came near the close and was in line with expectations.

OSLO closed mostly higher in moderate trading, interest being shown in shipping and oil. The all-share index ended 2.54 up at 496.22. Norsk Hydro put on NKr2 at NKr146 while Saga Petroleum added NKr1.50 to close at NKr163.

STOCKHOLM ended little changed in light trading, partly due to a sharp rise in local interest rates, but also because investors were awaiting a string of interim results due on Thursday. The Affärsvärlden General index closed 1.0 down at 1,219.5.

HELSINKI fell in low volume after an announcement that stockbroker Oy Bensow would seek bankruptcy and had been suspended cast gloom over the market.

ASIA PACIFIC

Nikkei rides roller-coaster to record high

Tokyo

DRAMATIC developments on the international stage and more familiar speculative activity helped boost spirits in a market still uneasy about interest rates. The Nikkei average climbed to a record in thin volume, *writes Michiyo Nakamoto in Tokyo.*

After opening significantly higher, shares went on a roller-coaster ride, dipping 100 points by mid-morning, then quickly recouping their losses to end the morning at a record high. In spite of fears over the level of prices, the Nikkei closed with a gain of 86.92 at a peak of 35,750.12. It had swung from a low of 35,677.61 to a high of 35,799.71.

Advances led declines by 495 to 400, and 216 issues were unchanged. Turnover fell to 756m shares from 1.06bn on Friday. The Topix index of all listed shares climbed 8.18 to 2,700.95; in London the ISE/Nikkei 50 index rose 3.29 to 2,061.85.

"The market is worried over the big picture," said Mr George Nimmo at SBCI Securities, who thought that the Nikkei record was unconvincing, since it was based mainly on special themes and speculative elements. The rise in the broader-based Topix, which brought it within 3 points of its high, was better news, however.

The dismantling of sections of the Berlin Wall gave impetus to buying of so-called "red chips" – those companies that might benefit from trade with eastern Europe. Kato Works, a leading manufacturer of truck cranes, emerged with the biggest gain, rising Y130 to Y1,297. Kato Works is known for its strong exports to the communist bloc.

Trading houses also benefited from hopes that the changing course of history would offer them greater opportunities in a still relatively unspoilt market. The current visit to Japan of Mr Alexander Yakovlev, Secretary of the Central Committee of the Communist Party of the Soviet Union and a senior aide to President Gorbachev, raised expectations of stronger trade links between the two countries.

C. Itoh and Marubeni, two trading houses with Soviet ties, saw gains of Y20 to Y1,090 and Y32 to Y933, respectively. Komatsu, the construction machinery maker, added Y60 to Y1,410.

Companies with land assets were also in favour although there was nothing particularly new about these assets. Tokyo Tatemono, a building constructor, topped the actives list with 38.3m shares traded and gained Y140 to a record Y2,380. It has growing business and land holdings in central Tokyo. The only new element was talk that speculators were buying its shares.

The Tokyo Stock Exchange noted the sharp rise in Tokyo Tatemono's price and volume and indicated that it was keeping a close eye on the issue. It said that it would announce the issue's margin trading balance daily from today.

Dealers were rumoured to be buying constructions and steels, in the hope of sustaining the market's energy. Constructions were backed by hopes that US demands on Japan to spend more on infrastructure would lift their earnings, while steels were given a sparkle by news of buoyant profits.

Among constructions, Aoki Corp, a recent market favourite, was second in volume with 29.8m shares and rose Y10 to Y1,680. Aoki has always been considered a political stock, that is a stock used to raise funds for politicians, because of the close ties between its chairman and the former Prime Minister, Mr Noboru Takeshita, who still wields influence in the Government. Investors were speculating that Aoki's share price would rise, given the possibility of a national election for the Lower House in January.

Large capital steel and construction stocks supported a 66.97 point rise in the Osaka Stock Exchange average which took it to a record 36,879.45. Volume was a thin 66m shares, down from 85m on Friday. Kawasaki Steel gained Y25 to Y826.

Roundup

INVESTORS in Asia Pacific markets yesterday declined the usual round of applause for Wall Street's Friday rally, and most markets ended mixed or lower in thin volumes. Taiwan was closed for a public holiday.

AUSTRALIA finished barely changed in low volume of 72m shares worth A$148m, down from Friday's 109m worth A$235m.

The halt in the gold price rally and the strength of the Australian dollar dampened any benefits from Wall Street's rebound on Friday and the All Ordinaries index edged down 3.6 to 1,633.0.

Elders IXL fell 11 cents to A$2.30 as the group's credit rating was downgraded by Australian Ratings, the Melbourne-based agency. In the resources sector, Bougainville Copper shed 22 cents to A$1.80 on news that an early re-opening of its Papua New Guinea mine had been ruled out.

HONG KONG had a quiet start to the week, the Hang Seng index easing 10.53 to 2,766.33 as last Thursday's 50-point surge on news of Deng Xiaoping's resignation began to be seen as overdone. Turnover was a sharply reduced HK$655m, from HK$1.1bn on Friday.

SINGAPORE was unable to sustain all of its opening gains and scraped home with a small rise in subdued trading. The Straits Times industrial index added 4.45 to 1,336.44. Turnover was down to 40.4m shares from Friday's 46.1m.

The property sector attracted some activity on rumours that the sale of the Standard Chartered Bank building would be announced shortly.

SEOUL slipped back after last week's 4.6 per cent rise, which was triggered by Government plans to boost the economy. Trading remained heavy and the composite index shed 6.93, or 0.7 per cent, to 925.32.

SOUTH AFRICA

GOLD shares closed sharply higher in Johannesburg as the bullion price rose to more than $390 an ounce.

Vaal Reefs jumped R16 to R402 as the JSE Gold index gained 43, or 2.3 per cent, to 1,939 just before the close.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 10 1989						THURSDAY NOVEMBER 9 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (65)	148.50	−1.3	139.65	125.48	−1.0	5.30	150.41	140.56	126.70	160.41	123.28	151.96
Austria (19)	139.20	+3.1	130.91	134.19	+3.6	1.81	134.97	126.13	129.49	172.22	92.84	98.34
Belgium (63)	138.89	+0.5	130.62	133.75	+1.1	4.14	138.21	129.16	132.24	144.49	125.58	134.26
Canada (122)	149.11	+0.2	140.23	126.28	+0.3	3.20	148.89	139.14	125.87	154.17	124.57	116.60
Denmark (36)	213.60	+0.8	200.88	209.17	+1.4	1.51	212.00	198.12	206.31	219.89	165.35	148.21
Finland (26)	122.08	−1.2	114.81	109.76	−0.6	2.57	123.55	115.46	110.43	159.16	122.08	129.19
France (127)	130.73	+0.1	122.94	129.50	+0.9	2.87	130.54	121.99	128.33	139.94	112.57	111.95
West Germany (96)	95.73	+1.0	90.03	92.72	+1.8	2.22	94.80	88.59	91.08	103.84	79.56	85.67
Hong Kong (48)	117.21	−0.1	110.23	117.56	−0.1	4.84	117.29	109.60	117.66	140.33	86.41	105.84
Ireland (17)	154.98	−1.2	145.75	152.55	−0.5	2.90	156.79	146.52	153.37	166.69	125.00	131.20
Italy (97)	86.69	−0.7	81.53	87.96	−0.2	2.60	87.29	81.57	88.12	96.73	74.97	86.73
Japan (455)	185.98	−0.1	174.90	168.52	+0.3	0.48	186.10	173.91	167.98	200.11	164.22	182.95
Malaysia (36)	193.98	−0.2	182.43	201.60	−0.2	2.63	194.49	181.69	201.95	209.22	143.35	139.69
Mexico (13)	290.31	−0.7	273.02	835.73	−0.7	0.62	292.33	273.19	841.25	326.61	153.32	168.71
Netherland (43)	123.46	−0.4	116.11	118.39	+0.4	4.48	123.93	115.81	117.96	131.72	110.63	109.57
New Zealand (18)	74.59	+0.5	70.15	67.47	+0.5	5.21	74.19	69.33	67.15	88.18	62.64	74.25
Norway (24)	172.40	−0.8	162.13	162.17	−0.4	1.59	173.78	162.40	162.75	198.39	136.92	122.20
Singapore (26)	157.53	+0.8	148.15	142.21	+0.9	2.08	156.30	146.07	140.96	170.62	124.57	120.88
South Africa (60)	165.84	−1.1	155.96	141.06	−1.1	4.00	167.61	156.63	142.56	167.61	115.35	123.66
Spain (43)	153.97	−1.4	144.80	136.99	−0.4	3.82	156.12	145.90	137.61	169.75	143.14	152.36
Sweden (35)	173.51	−0.7	163.27	155.52	−0.4	2.07	174.91	163.45	156.04	198.94	138.45	133.46
Switzerland (54)	85.75	−0.2	80.64	57.95	−0.8	2.17	85.94	80.31	58.38	94.16	67.61	64.74
United Kingdom (306)	142.98	+0.0	134.47	134.47	+0.6	4.53	143.05	133.68	133.68	158.41	133.28	137.47
USA (546)	137.60	+0.7	129.39	137.60	+0.7	3.36	136.66	127.69	136.86	146.29	112.13	109.37
Europe (996)	123.63	+0.0	115.27	118.21	+0.7	3.55	123.61	115.52	117.36	132.95	112.63	114.86
Nordic (121)	167.14	−0.2	157.18	154.58	+0.3	1.84	167.48	156.51	154.07	178.38	137.95	127.22
Pacific Basin (668)	181.81	−0.1	170.98	164.74	+0.3	0.73	181.99	170.07	164.29	194.72	160.44	178.61
Euro-Pacific (1664)	158.61	−0.1	149.17	146.12	+0.4	1.62	158.71	148.32	145.52	166.98	141.58	153.12
North America (668)	138.37	+0.7	130.13	137.09	+0.7	3.35	137.48	128.47	136.18	146.86	112.79	109.74
Europe Ex. UK (690)	110.58	+0.1	104.37	108.25	+0.8	2.85	110.92	103.65	107.36	118.51	96.30	100.91
Pacific Ex. Japan (213)	131.79	−0.5	123.94	117.74	−0.5	4.84	132.64	123.95	118.29	140.05	111.93	126.59
World Ex. US (1859)	158.43	−0.1	149.00	145.54	+0.4	1.70	158.54	148.16	145.06	166.35	141.49	151.56
World Ex. UK (2099)	150.73	+0.2	141.75	143.79	+0.5	2.01	150.44	140.58	143.10	156.04	136.98	135.18
World Ex. So. Af. (2345)	149.52	+0.2	140.62	142.91	+0.5	2.22	149.05	139.28	142.20	155.92	136.67	135.43
World Ex. Japan (1950)	132.98	+0.3	125.05	129.77	+0.6	3.49	132.52	123.84	128.98	140.43	114.51	112.47
The World Index (2405)	150.62	+0.2	141.68	142.90	+0.5	2.23	149.76	139.95	142.20	155.89	136.68	135.36

Latest prices were unavailable for this edition.